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REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS FORTY-FIRST SESSION

held at the Palais des Nations, Geneva,
from 20 to 31 March 1995

Volume II

Summary of proceedings

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Preface

This volume (volume II) of the report of the Trade and Development Board on the second part of its forty-first session contains the summaries of statements made during the session.

All other matters relating to the second part of the forty-first session of the Board are to be found in volume I of the report, entitled Report to the United Nations General Assembly.* These include action taken by the Board, statements of position in relation to that action, the procedural and institutional matters, and diverse annexes.

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* See TD/B/41(2)/15 (Vol.I).

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INTRODUCTION

1. Opening the second part of the forty-first session of the Trade and Development Board, the **President** said that the current session would officially inaugurate the preparatory process for UNCTAD IX. The agenda for the session covered issues on trade policy, structural adjustment and economic reform which would allow the Board to focus on structural adjustment policies in developed countries and their implications for developing countries. Sustainable development would also provide an opportunity to review the activities of UNCTAD in crucial areas of this field. The item on the New Agenda for the Development of Africa in the 1990s was also closely linked to the sustainable development policy review, while the item on the least developed countries would set the pace and tone for the Mid-term Global Review. Item 7 (Preparations for the ninth session of the Conference) would obviously be the concern and focus of all delegations. Referring to the progress made on the very complex and difficult task of agreeing on a draft provisional agenda for the Conference, he was happy to see that this progress had been made despite a number of hostile comments about the future of UNCTAD. Far from diverting delegations from their mission, this furore had, if anything, helped to intensify their commitment to UNCTAD and strengthen their resolve to make UNCTAD IX a milestone in the cause of development. It was particularly gratifying to note that the confidence expressed in the role and relevance of UNCTAD had come from all quarters.

2. The **Officer-in-charge of UNCTAD** observed that the first substantive item on the agenda - trade policies, structural adjustment and economic reform - dealt this time with structural adjustment policies in developed countries. The issue took on special importance in the context of the globalization and liberalization of trade resulting from the Uruguay Round Agreements. Enterprises in developed countries would come under increasing pressure from the competition of developing country exporters as well as those of economies in transition. It was essential that their response be to increase their competitiveness rather than to try to prevent or stymie competition, in order to maintain the dynamics of liberalization and the integration of developing countries, as well as economies in transition, into international production. Developed-country Governments had a key role to play in facilitating structural adjustment in line with changes in comparative advantage, technological innovation and human skill requirements. They must introduce positive policies which fostered enterprise flexibility and the capacity to adjust to a changed competitive environment. The temptation to introduce defensive measures and to postpone adjustment in the pattern of production and trade must be resisted, as these responses not only involved depriving developing countries, as well as economies in transition, of market opportunities but they also entailed severe costs for the developed countries themselves. On the basis of the documentation, the Board might wish to examine how the global perspective of national structural adjustment policies might be strengthened, taking into account the increasing production capabilities of developing countries, as well as economies in transition, and the risk of marginalization which was threatening many weaker nations. In this connection, the issues of increased transparency, measures to promote the relocation of industries to developing countries, and greater coherence of national policies deserved special attention.

3. Under the second substantive item, sustainable de[velopment] expected to undertake a policy review of UNCTAD's ac[tivities]. The report showed the extent to which UNCTAD had integrated sustainable development into its work programmes. Intergovernmental discussions on sustainable development had been or were being held in several areas of UNCTAD's activity (trade, commodities, technology, services, investment, privatization, and accounting). Moreover, although no specific intergovernmental forum within UNCTAD had yet considered the issue of environmental finance, it was a matter which fell squarely within the ambit of global interdependence and the secretariat had therefore pursued studies, funded by extra-budgetary resources, on market-based instruments for financing environmental protection. Thus, despite resource constraints, UNCTAD was making a significant contribution to the United Nations system-wide thrust towards sustainable development. At the third session of the Commission on Sustainable Development in April 1995 the UNCTAD secretariat would be closely involved, both as a Task Manager for Trade and Environment for the United Nations system and as contributor to the deliberations on finance for sustainable development and on issues relating to sustainable consumption and production. He thanked warmly those countries which had generously provided resources for work on sustainable development issues - Finland and the Netherlands - and he appealed to other countries to join in this effort.

4. The Board would also consider an analytical report on the issues of sustainable development, population, human resources and environment in Africa, as well as a progress report and an evaluation of UNCTAD's contribution to the implementation of the New Agenda for the Development of Africa in the 1990s. As the world's poorest region, afflicted by soil erosion, desertification, a fast population growth and inadequately developed human resources, Africa faced tough dilemmas in the effort to reconcile environmental and development concerns. At the same time, it was increasingly clear that many of the environmental problems in Africa were caused by the prevalence of poverty and the lack of economic development. The objective of sustainable development and, in that context, environmental policy should therefore primarily be the removal of these ultimate causes rather than the adaptive or corrective type of policy aimed at repairing the environmental damage or at mitigating its effects. Population issues in the sustainable development of Africa were, of course, also crucial. Never in human history had population grown as fast as it now did in sub-Saharan Africa. The time had come to focus on the effective expansion of family planning as a main instrument to reduce population growth, in the context of the follow-up to the International Conference on Population and Development. Such efforts, however, must be accompanied by much stronger national and international policies to reduce poverty and promote sustained economic growth, as well as concerted measures to improve the status and participation of women in economic activities. The Fourth World Conference on Women in Beijing in September 1995 would undoubtedly be seized of this question.

5. The progress report and evaluation of UNCTAD's contribution to the implementation of the New Agenda for the Development of Africa in the 1990s listed UNCTAD's activities both in policy research and analysis and in technical cooperation. While considerable progress had been made in policy research and analysis, technical cooperation activities were constrained by the diminution of resources available to the United Nations system in general.

Concerning the future, it was essential to start from the fact that African countries had not been successful in attracting private capital flows. Accordingly, UNCTAD's work would be focused on policies needed to enable African countries to attract and sustain the levels of investment needed to create economic growth, including: a reduction of communication and transport costs to producers and to service industries; promotion of an enabling environment for foreign investment; human resource development, particularly in the context of the implementation of the Uruguay Round Agreements; the development of a modern and efficient financial sector under an effective regulatory framework; and the promotion of a competitive, environmentally friendly export sector based on comparative advantage of individual countries or subregions. The report prepared by the UNCTAD secretariat for the next session of the Commission on International Investment and Transnational Corporations contained a section dealing with Africa which stressed the investment opportunities in the region.

6. Turning to the item on the implementation of the Programme of Action for the LDCs for the 1990s, he said that this session of the Board provided an opportunity to exchange views on the scope and content of the decisions to be taken at the High-level Intergovernmental Meeting on the Mid-term Global Review in September 1995. The UNCTAD secretariat was carrying out a number of preparatory activities for the Mid-term Review Meeting, and a full report on them would be submitted to the Special Sessional Committee. As well as taking stock of the progress achieved in attaining the ambitious objectives set out in the Programme of Action, the Meeting would provide an opportunity to complement the Programme with decisions which reflected the changes in the world economy since the Programme had been adopted. Foremost among these changes was the enlargement of the list of LDCs from 41 in 1990 to 48 today - a highly regrettable development which reflected the increasing marginalization of weaker economies from the mainstream of international growth and development. The full implications of this enlargement, notably as regards the adequacy of the 0.15 per cent ODA target, warranted very close scrutiny at the High-level Meeting. The adoption of comprehensive debt relief measures covering all creditors would undoubtedly be a priority objective, as would the sustaining of the wide-ranging process of economic reforms in LDCs. Likewise, the conclusion of the Uruguay Round posed both challenges and opportunities for the LDCs. Available evidence suggested that new commitments assumed by the LDCs would have a bearing on their capacity to participate effectively in, and derive benefits from, the trading system. The secretariat had been giving particular attention to possible policy responses for safeguarding the trading opportunities of the LDCs, and he was confident that the High-level Meeting would itself wish to consider the measures to be taken in this regard. Finally the Meeting would need to consider the implications of the progressive marginalization of many LDCs from the dynamics of global economic exchanges. Their relative disadvantage in competing in a trading system driven by new products, skills and technologies posed challenges which the international community needed to tackle collectively. These issues had also been the subject of reflection by the secretariat and Governments in the preparation of the agenda for UNCTAD IX. The decisions to be taken at the High-level Meeting would undoubtedly provide valuable inputs to the preparations and outcome of UNCTAD IX itself.

7. The Board would also consider the report of the Joint Advisory Group of the International Trade Centre UNCTAD/GATT which had met late in 1994. Member States in both the JAG and in the Board, during its policy review of technical cooperation in 1994, had emphasized the importance of securing closer cooperation as regards the operational activities of ITC and UNCTAD. To this effect the secretariats had initiated a series of actions, including joint reviews of ongoing and planned activities in specific areas and improvement of collaboration on programming missions. Subjects covered so far included trade and environment and small and medium-sized enterprises. Progress had been good, but there was still room for improvement so as to secure effective coordination.

8. Finally, referring to the preparatory process for UNCTAD IX, he said that the completion of the provisional agenda for the Conference was a prerequisite for launching the substantive preparatory work, including arrangements for parallel events during the Conference. Given the progress already made during intensive consultations before the Board, he trusted that it would be possible to complete the provisional agenda during this session. The secretariat believed that the Conference must be different and innovative in addressing the economic issues facing the international community on the eve of the next millennium. The proposed main theme of the Conference was grounded on the realization that the twin processes of globalization and liberalization offered great opportunities for development but also multifaceted challenges for the international community as a whole, and particularly for developing countries. Globalization and liberalization would not by themselves resolve the central issues of development, such as increasing poverty or the degradation of the environment; they might indeed introduce instabilities and imbalances, as shown by the current volatility of international financial markets, and they ran the risk of marginalizing the least developed countries and other poor economies such as those in sub-Saharan Africa. A major task of UNCTAD IX would be to identify ways of maximizing the developmental impact of globalization and liberalization while minimizing the dangers of instability and marginalization. The Conference should also aim at identifying concrete, action-oriented policies and measures that could enable developing countries, as well as economies in transition, to create a supportive environment for the development of internationally competitive enterprises and to achieve development through integration into the international trading system. These policy directions, together with an assessment of the work completed by the intergovernmental machinery established at the eighth session of the Conference, should provide a basis for a consideration of the future role of UNCTAD.

9. The spokeswoman for the **Group of 77 and China** (Colombia) said that UNCTAD was the only organization in which the developing countries were able to gain recognition of their problems and concerns and the sole organization which provided a decidedly policy-oriented trade forum with an integrated and focused development perspective. The Eighteenth Meeting of Chairmen/Coordinators of the Group of 77 had been held in Geneva from 14 to 15 March 1995, in an atmosphere of transparency that testified to the vitality of the Group. In a Final Communiqué, the Group had reaffirmed the need for a constructive dialogue between the North and the South as an instrument for the promotion of the economic growth and development of developing countries and stressed that such a dialogue should be conducted on

the basis of an economic imperative of mutuality of interests and benefits and genuine interdependence. The Group had also reaffirmed its belief in the role and relevance of UNCTAD, which had been confirmed by recent developments in the world economy and institutional change, including the creation of the World Trade Organization (WTO), which reinforced the need for a policy-oriented trade forum with strong development perspective such as UNCTAD. On behalf of the Group of 77 and China, she presented the Final Communiqué to the Board and requested that it be made available to the members as an official document of the Board under item 7 of the agenda.*

10. Following the decisions taken at UNCTAD VIII in Cartagena, UNCTAD had proved its vitality by implementing the Cartagena Commitment and making it operational during the last three years. As a result of the comprehensive policy reorientation, improved capacity for conceptual innovation and far-reaching institutional reforms, UNCTAD was better placed to meet the challenges of the millennium and could make a most valuable contribution to a better understanding of the contemporary problems of trade and development. It was extremely important to ensure the best preparations for UNCTAD IX in order to secure the best possible results and demonstrate the political commitment of member States to the development objectives of the institution. The Group of 77 and China wished to make UNCTAD IX innovative and responsive in addressing the contemporary and future concerns, and it was in that spirit that they had participated in the consultations on the elements and approach to the agenda for UNCTAD IX. She hoped that the agenda for UNCTAD IX would be approved during this session of the Board: that would augur well for a Conference that would be held on African soil almost 20 years after UNCTAD IV in Nairobi.

11. After its intensive debate in Spring 1993 on policy reforms in developing countries, the Board would now have an opportunity to discuss structural adjustment policies in developed countries and their implications for developing countries. These policies were indeed of interest not only to the countries concerned but to all countries, and might affect developing countries in several ways. Pressures for structural adjustment had increased as the world economy was globalizing, trade liberalization was making progress and several developing countries were striving to strengthen international competitiveness and gain a foothold on world markets. Structural adjustment policies of developed countries ought to smooth the implications of these changes in the global economy for their industries and promote shifts from sectors with declining international competitiveness towards more dynamic activities, thus making room for expansion of more efficient production and trade in developing countries. Unfortunately, support policies of developed countries were not as yet rigorously geared to such an approach. Rather than continuing to protect sunset industries, structural adjustment policies should facilitate rapid and effective implementation of the Uruguay Round Agreements.

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* The Final Communiqué was subsequently circulated in TD/B/41(2)/13 (see also chapter II below).

Such policies should also lower the resistance to further liberalization steps, for example by the early and effective removal of trade barriers against major clothing and textile products exported by developing countries; and they should prepare the way for a second round of negotiations for agricultural liberalization. In the design of their structural adjustment policies, developed countries should take account of the implications for developing countries and foster approaches which helped their industries to increase competitiveness and which opened up new opportunities for developing countries.

12. In the spirit of international partnership for development, all countries should recognize that a positive approach to structural adjustment policies, which increased flexibility and worldwide efficiency of production, was of interest to all countries. The Group of 77 and China would welcome an exchange of views on what would be the main features and instruments of such positive structural adjustment policies. The transparency of present policies needed to be increased to permit a more thorough evaluation of their implications for other countries, in particular developing countries. Developed countries should also explore to what extent a global perspective could raise the competitiveness of their industries on domestic and foreign markets. Relocation policies could be a tool of structural adjustment policies - promotion of FDI, subcontracting and outward processing of certain production lines to cheaper sources of supply - and could strengthen the overall competitiveness of the enterprises concerned. At the same time, such policies would stimulate development in developing countries.

13. The Group of 77 and China also appreciated the intersessional activities initiated by the secretariat in the area of sustainable development, particularly the briefing sessions held for delegations and the attention UNCTAD was giving to environmental accounting issues. On the other hand, her Group regretted that intergovernmental work on the linkages between poverty and sustainable development, on environmentally sound technologies (particularly access thereto), on environmental services and on environmental finance had not proceeded at the same pace. There were many and complex reasons why this had been so, but she pointed with some concern to the relative lack of resources which the secretariat had been able to devote to these issues.

14. The African region and its constituent countries were faced with a multiplicity of problems, and some of the environmental problems were associated with the lack of economic development. The United Nations New Agenda for the Development of Africa in the 1990s called for specific action on three of the areas treated in the report prepared for the Board. These were the human dimension, environment and development, and the issue of population and development. As rightly pointed out by the secretariat, a sustainable approach to development and natural resource management must take into account the fact that some environmental problems might have their ultimate causes in development processes which were far removed from the immediate environmental issues. In the context of Africa, some of the main problems that needed to be addressed included inadequate man-made capital, stagnant and often rudimentary technology, lack of employment opportunities, and inability to cater for basic human needs combined with a growing population. The progress report prepared by the secretariat outlined many

activities undertaken by UNCTAD relating to Africa, both in the area of policy research and analysis and in technical cooperation activities. The latter were threatened by the general diminution of resources available to the United Nations system in general, and Africa in particular. The Group of 77 and China appreciated the effort made by the UNCTAD secretariat to continue to work on the basic elements which were likely to attract and sustain the levels of investment capital needed to create economic growth in Africa. For Africa, the advancement of human development would entail, inter alia, the slowing down of population growth. For this to be achieved, effort must be exerted to bring about equality between men and women. The international community should pursue policies that adequately addressed people's needs, including the necessary institutional reforms that would bring about behavioural patterns conducive to environmental preservation.

15. The Least Developed Countries Report 1995 contained analysis and recommendations which would be valuable to Governments in conducting the Mid-term Global Review of the Programme of Action for LDCs for the 1990s and in deciding on the policies and measures to be taken. As pointed out in the Report, the LDCs had moved into the 1990s with a declining share in both world exports and imports. Trends indicated that LDCs as a group had become further marginalized in the world economy in general and in international trade in particular. As regards external financing, there had been little progress in the implementation of ODA targets adopted in the Programme of Action. The overall aid outlook continued to be uncertain owing to the stringent budgetary situation in most donor countries. In this situation, LDCs must be given priority attention in aid allocations through fulfilment of the agreed aid targets. The external debt burden remained exceptionally high for most LDCs. For almost half the LDCs, the size of the debt stock equalled or exceeded their respective GDP. The share of multilateral debt in total long-term debt, as well as debt service, had increased considerably in recent years. Effective reduction of other liabilities, such as official bilateral and commercial debt, coupled with increased ODA, would be required to bolster LDCs' capacity to service their growing obligations to the multilateral institutions. New initiatives in the context of an international debt strategy should be launched to reduce LDCs' debt, including cancellation of such debt by the developed countries, in order to allow them to make a clean start with regard to their external obligations. Priority should be given to operationalizing the Marrakesh Declaration and related Ministerial decisions in favour of LDCs and the net food-importing countries and to setting up "safety net" measures to enable LDCs to tide over possible unfavourable consequences of the Final Act of the Uruguay Round. The current session of the Board provided an opportunity to make a major contribution to the Mid-term Global Review of the Programme of Action for the LDCs. It was hoped that Governments would spare no efforts at the Mid-term Global Review to provide renewed impetus to the implementation of the Programme of Action and to ensure acceptable standards of living for the deprived millions of people in LDCs as they entered the next millennium.

16. The representative of **France**, speaking on behalf of the **European Union**, said that the Board was taking place at a crucial point in the life of UNCTAD, both in the post-Cartagena context and in the light of a number of important recent or forthcoming international conferences. The United Nations International Symposium on Trade Efficiency had demonstrated the ability of

the post-Cartagena UNCTAD to conceive an original response to some of the questions now confronting the developing countries. Thanks to a judicious admixture of analysis and action, UNCTAD had managed to set its work firmly in the context of the follow-up to the Marrakesh Agreements, and the Trade Efficiency Programme had been dubbed the "micro-economic GATT". The Symposium had thus succeeded in conferring a political dimension on what at the outset had been a technical issue. It now remained to give substance to the project by establishing a truly operational Global Trade Point Network.

17. Turning to the preparations in UNCTAD for the ninth session of the Conference, he observed that the United Nations General Assembly had also been engaged in a wide-ranging reflection on development with a view to drawing up an "Agenda for Development". The preparations coincided also with a debate on the future organization of the multilateral system, including the economic sector. Thus, UNCTAD now had an opportunity to state clearly its vocation, to recall the important role it played in the cause of development and to indicate how it intended to relate its work to that of other competent organizations. Already at the eighth session of the Conference, UNCTAD had taken a major step towards renovation. The Cartagena Commitment embodied the concepts of global interdependence, partnership for development and good governance at the national and international level, while recognizing the importance, for development, of respect for human rights and the principles of democratic government. The Mid-term Review of UNCTAD's work, undertaken in May 1994, had given a very encouraging account of the new course adopted at Cartagena. Acting on the basis of what had been achieved so far, UNCTAD must now pursue and deepen its reform. At a time when new countries were seeking to enter, or had already entered, the OECD, UNCTAD should be reflecting on the consequences, for the orientation of its own work, of the transformations taking place in the very heart of the developing world. On the morrow of the creation of the World Trade Organization, UNCTAD must show that it is capable of instilling the development dimension into international trade issues and of helping the developing countries to benefit from the globalization and liberalization process now under way. UNCTAD should endeavour to lay emphasis on the needs of the most fragile economies, especially those of the LDCs and of sub-Saharan Africa which were threatened with marginalization.

18. This last problem would be the object of UNCTAD's attentions in preparing for the Mid-term Global Review of the Programme of Action for the LDCs for the 1990s. The European Union was pleased to see the progress made in some LDCs, as reported in the Least Developed Countries Report 1995, even though the situation remained difficult and worrying for most of them. Indeed, the General Assembly had recently added two more countries to the list of LDCs, although it was gratifying to see that the progress made by Botswana was such that it was no longer regarded as a "least developed country". All in all, the affirmation in the Spirit of Cartagena Declaration of the priority to be given to the problems of the LDCs was as relevant as ever in the run-up to UNCTAD IX.

19. If it was to serve the development cause fully, UNCTAD would henceforth have to concentrate its resources on those areas where its competence and competitive edge were undisputed. UNCTAD was indeed unlikely to be able to offer responses to the challenges of development in the manner expected of it if it went on organizing its work - as was the case today - on the basis of

some 20 subprogrammes, of which no less than 13 enjoyed "high priority" status. It was therefore more necessary than ever to make a serious effort to select priorities and to bring out the salient features of its action. In this regard, exploration of the links between trade and the environment represented a sphere of excellence in UNCTAD. Moreover, the transfer to UNCTAD of the programmes on transnational corporations and on science and technology for development had strengthened the organization's potential in an area of high priority for the developing countries. Finally, it was imperative to rethink the future role of the Trade and Development Board in the interests of greater effectiveness. At Cartagena, UNCTAD had taken the right turning at a decisive point in its evolution. It now stood in mid-stream, as it were, and needed to move resolutely forward to accomplish the aggiornamento that had begun over three years ago. This called for further reflection on all sides, and the European Union would not fail to make a constructive contribution to that effort.

Tribute to the memory of H.E. Mr. Amir Habib Jamal
(United Republic of Tanzania)

20. At its 857th plenary meeting, on 22 March 1995, the Trade and Development Board paid tribute to the memory of His Excellency Mr. Amir Habib Jamal, a former Ambassador and Permanent Representative of the United Republic of Tanzania in Geneva, who had also served as Chairman of the Preparatory Committee of the Group of 77 for the eighth session of the Conference.

Chapter I

TRADE POLICIES, STRUCTURAL ADJUSTMENT AND ECONOMIC REFORM: DEVELOPMENTS RELATING TO STRUCTURAL ADJUSTMENT POLICIES IN DEVELOPED COUNTRIES, AND THEIR IMPLICATIONS

(Agenda item 2)

21. For its consideration of this item, the Board had before it the following documentation:

"Trade policies, structural adjustment and economic reform: developments relating to structural adjustment policies in developed countries and their implications", report by the UNCTAD secretariat (TD/B/41(2)/8).

Consideration in Sessional Committee I

22. In opening the discussion on this item, the **Officer-in-Charge of the International Trade Division** said that pressures on industries to adjust were likely to increase as the liberalization commitments of the Uruguay Round were implemented and international competition intensified. Structural adjustment policies would therefore have to be reconsidered and made more relevant to the realities of current developments. The secretariat's report had reflected three major concepts: (i) A new international partnership for development was needed to ensure the enhanced participation in the world economy of developing countries and economies in transition; (ii) Markets did not always fulfil their resource-allocation functions satisfactorily and so Governments often had to implement microeconomic policies influencing the adjustment process; (iii) A positive approach to promote structural adjustment would be one in line with a country's comparative advantage while recognizing other countries' abilities to produce. Evidence suggested that Governments of developed countries had increasingly favoured investment in technological innovation, basic research and the learning of skills to promote shifts towards high-technology and skill-intensive industries where they saw a comparative advantage. In a few cases, policies had also facilitated the relocation of declining industries to lower cost developing countries. Such an orientation of structural adjustment policies was conducive to moves out of production in low- and middle-market segments of traditional industries, where many developing countries and economies in transition had competitive supply capabilities.

23. He noted that serious concerns nevertheless remained, with frequent deviations from the principle of positive structural adjustment, insufficient attention to the global perspective and lack of transparency in many adjustment assistance programmes or inadequate factual information to evaluate their effectiveness. Preliminary conclusions could be drawn from developed countries' experiences with policy implementation. First, there was a need for a positive approach to adjustment assistance and for enhancing its transparency, and especially for close monitoring of the effectiveness of

government assistance to industries under adjustment pressure. In addition to having a global perspective, policies had to be conducive to greater complementarity of production and trade for all countries and in all sectors.

24. Governments might, he suggested, consider new approaches to promote the positive aspects of globalization, in particular the relocation of production which had lost competitiveness in developed countries to those developing countries and economies in transition which now enjoyed a comparative advantage. Thus, schemes of developed countries in support of investment abroad and other forms of cross-border production cooperation might focus more on encouraging such enterprise relocation. Increased globalization of corporate strategies also required greater coherence of national structural adjustment policies at the multilateral level. Growing liberalization could create new kinds of adjustment pressures in all countries and the structural adjustments required would have to be consciously fostered by policy makers. Likewise, it would be essential to ensure compatibility of adjustment assistance with the Uruguay Round commitments, in particular the Agreement on Subsidies and Countervailing Duties and the Agreement on Agriculture. The extent to which structural adjustment policies had stimulated new market opportunities for lower-cost supplies could be examined along with the crucial role played by those policies in terms of further liberalization of international trade.

25. The spokesman for the **Asian Group** (India) referred to the economic reform and structural adjustment on which a large number of developing countries had embarked, noting that this exercise was considered instrumental for reaching a higher growth path so that the countries could realize their full potential and improve living standards. Increasing globalization and interdependence of national economies figured prominently among the far-reaching world changes. Likewise, the liberalization of trade in the Uruguay Round and the establishment of the World Trade Organization was expected to induce a more stable, equitable and predictable trading environment. There had been assurances also that regional integration groupings would be oriented towards outward-looking policies, resulting in trade-creation. While the opportunities thus afforded for wealth creation and poverty alleviation must be seized, some of the negative features would also have to be addressed. Obvious problems included adverse effects of volatility in exchange rates and financial markets; an improved regulatory mechanism was needed. These were issues that could be discussed at UNCTAD IX. The Board's sessions were valuable in providing an opportunity to share experience, identify areas of concern and chart a mutually beneficial course of action. Discussions in this forum could serve as building blocks in the better management of interdependence and promotion of development through trade. Earlier sessions had dealt with the need for "transparency" and international support for trade policy reform and indeed structural reform in the developing countries was being implemented at great cost despite the social safety nets. The liberalized process in the developing countries had given greater market access to products from developed countries, which supported the latter's structural reform. The present session could explore how the reform process in developed countries could help advance a similar process in the developing countries.

26. Commitments undertaken in the Uruguay Round had resulted in more open markets. Developed country producers could as a consequence face stiffer competition from developing countries with a greater comparative advantage in certain areas. If the developed countries were to direct their adjustment efforts towards investments in technologically more advanced market segments, this could help with "positive" structural adjustment but this meant taking a critical look at subsidies supporting non-viable production.

27. Greater integration of production through intra-industry trade could be mutually beneficial. Similarly, trade liberalization could allow transnational corporations to widen their production networks and increase foreign direct investment. A cohesive global policy could help overcome marginalization of certain parts of the world and maximize the positive effects of international trade. In the rapidly expanding services sector, complementarities could be further pursued with beneficial results for all concerned. This could include temporary movement of service providers from developing countries. Furthermore, the structural reform process in the developed countries could also be aimed at providing developing countries with an environment conducive to taking advantage of trade under the General Agreement on Trade in Services. Such cooperation could help in the sequencing of reforms so that the costs could be mitigated. In closing, he called for a detailed study by the secretariat on this subject and would likewise welcome further discussion at future sessions.

28. The representative of **China** observed that the trend towards globalization and liberalization of the world economy was gaining ever greater momentum. Various countries were taking measures to institute reforms and structural adjustments so as to be better prepared for intensified international competition. The structural adjustments carried out in the developed countries would have very important impacts on the world economy as a whole, as well as direct bearings on the ability of developing countries to realize comparative advantages for their exports and to expand their market access. Despite the decisive role of the market in resource allocation, the importance of government in macroeconomic control and guidance could not be ignored. If the Governments of developed countries pursued "positive" adjustment by backing away from subsidies to declining industries, the effect would not only benefit the developing countries through export expansion, but would also help the developed countries themselves to upgrade their economic structure. However, the developed countries had widely neglected support for the relocation of declining lines of production to the developing and transition countries with a comparative advantage in these sectors. Many were still following a policy of "negative protection", particularly in the textile and clothing industries, although trade protectionism harmed the country taking such measures as well as the target country and not only failed to protect employment or economic growth but also aggravated adjustment further down the road.

29. Many developing countries, including China, had made great efforts to promote a rational division of labour and liberalization of trade in the world economy. These efforts had included reforms to bring trade systems into line with international practices, to open up domestic markets, to improve their investment climate, etc., with favourable results already visible in some countries and a positive impact on the world economy as a whole. The rapid

economic growth of developing countries in South-East Asia had unquestionably contributed to the trade growth and economic recovery of the developed countries. The latter countries, in their structural adjustment policies, should therefore feel encouraged to take duly into account globalization and liberalization trends and the principles of "positive" adjustment with due regard to th comparative advantage of developing countries. The Uruguay Round Agreement had provided a basis for the elimination of protectionism. Positive structural adjustment measures would help implement the Agreement with the reward being greater stability and prosperity around the world.

30. The representative of the **European Commission** said that TD/B/41(2)/8 constituted a good basis for the discussion then went on to elaborate on the policies pursued by the European Community as a whole in the field of structural adjustment. Such adjustment was a constant process in response to market forces, technological change and the development of comparative advantage. The Community had remained open for imports from developing countries, which had resulted in growth of imports of manufactured goods from these countries at an average rate of 19.7 per cent per annum from 1970 to 1991. Hence paragraph 83 of TD/B/41(2)/8, to the effect that "regional economic integration groupings often limit the influence of external pressures on the adjustment process ..." did not apply to the European Community.

31. Two recent policy statements of the Commission relating to structural adjustment had identified as key policy areas the maintenance of open markets, a sound macroeconomic framework, measures to stimulate employment, the development of an active policy of industrial cooperation with third countries, the development of non-physical investment through training, research and technical assistance and the development of trans-European networks and infrastructure. This policy did not seek to slow the pace of structural adjustment nor to protect declining industries, notwithstanding the serious concern over unemployment. Concerning global enterprise relocation strategies, almost half of the largest transnational corporations pursuing more diffuse geographical distribution strategies were based in the European Union. In 1993, outflows of foreign direct investment from France, Germany and the United Kingdom amounted to $64 billion, compared to outflows of $50 billion from the United States of America and $12 billion from Japan. In closing, he proposed calling on the UNCTAD Working Group on Enterprises in Development to analyse in detail the relationship between dynamic performance of developing countries and foreign investment inflows. However, structural adjustment in industrial countries should not be considered in itself a priority for future UNCTAD work, as resources could be better deployed by focusing on specific changes in developing countries.

32. The representative of **Australia** noted that her country's economy had become increasingly open to competition owing to a series of reforms to the regulatory environment. Furthermore, substantial gains had been made in reducing business costs, and increasing the range and quality of services offered to business. Consumers had been major beneficiaries of these reforms, with falling prices and an improved range and quality of products offered. The reform programme had contributed to improving Australia's international competitiveness through higher rates of productivity growth and increased flexibility. The current reform agenda was aimed at establishment of a new

national competition policy regime and promotion of the competitiveness of markets for infrastructure services through specific industry-based reform programmes.

33. The representative of the **United States of America** said that the report by the secretariat had served as a good basis for discussion, starting with the interesting panellists in the informal sessions. With the commitment to free trade and the market economy, people in his country were unaccustomed to viewing the national policies in terms of "structural adjustment" but rather put emphasis on maintaining appropriate framework conditions for the working of the market economy. Within this framework, which itself "adjusted" from time to time, structural change had usually been allowed to take its course, with little direct governmental intervention, either "positive" or "negative". Adaptations and adjustments in the face of international competition meant that national and local level governments faced policy choices regarding how best to ease adjustment shocks to individuals, particularly employees in declining industries. It should be noted that the focus was on assisting affected individuals, not industries, through transitional aid such as unemployment benefits and retraining programmes.

34. TD/B/41(2)/8 had correctly shown the trade impact of his country's "adjustment policies" as being truly minimal. This also stood as an indicator of the extent to which the American open import regime had contributed to developing countries' export earnings. The primary motivating factor behind the enlarged economic space of NAFTA - as with the Uruguay Round - had been to secure more open, freer trade in partners' markets on a mutually acceptable basis across national boundaries, and not, as the secretariat report had implied, to heighten competition vis-à-vis other regions. Again, in reference to the same report, he believed that Governments in developed countries should do less rather than more in terms of promoting structural adjustment because it was deregulation and privatization which had contributed to many countries' better adaptation to the interdependent global economy. The benefits of non-interference merited more extensive examination. The United States supported the point raised by the European Commission that further work on structural adjustment policies should not be a priority for the secretariat, unless there was a widespread call for it but the obvious place to make a case for it would be in preparations for UNCTAD IX.

35. The representative of **Japan** said that medium-term structural adjustment and short-term stabilization policies were vital to the process of adaptation of any country to the new economic environment. His country supported the structural adjustment efforts of developing countries through bilateral and multilateral channels. Domestic policies aimed at inducing overall investment activities as well as specific activities for selected industries had included tax reduction, low interest rates and improvement of the social infrastructure through investment. Concerning the transfer of production resources to lower-cost countries, since the mid-1980s Japanese private enterprises had progressively shifted parts of their production to foreign countries, which had created a horizontal division of labour, a long-term trend that was expected to develop further and be particularly dynamic in the Asian region. Such developments had been mainly initiatives of the private sector, while the role of the Government had consisted mostly of deregulation and enhancement of the industrial base through support for research, technical development and

technological innovation, etc. In closing, he said that Japan was ready to contribute financially to a meeting featuring the experiences of East Asian countries in the field of economic policies and structural adjustment, which had been scheduled to take place before UNCTAD IX.

36. The representative of the **Czech Republic** spoke about national experience with economic reform and structural adjustment policies. National macroeconomic policy had involved a combination of liberalization, deregulation processes, stringency (monetary and budgetary) and sensitive adjustments. Priority was given to strengthening the process of privatization which had substantially changed the structure of ownership. Supported by a recovery in investment and economic growth, the resultant rationalization of employment and slimming of enterprises had at the same time stimulated demand for labour. The microeconomic policy of the State was aimed at the promotion of small- and medium-sized enterprises and stabilization of employment and demographic equilibrium. As a result, a functional institutional and legal framework of a market economy had been put in place, including free price formation, internal convertibility of the currency and a strengthening of private ownership. The economic reform and structural adjustment thus achieved had brought about liberalization of foreign trade and an opening up of the economy which offered opportunities for all trading partners.

37. The representative of **Poland** said that the secretariat's report on structural adjustment policies of developed countries had been valuable and expressed the view that UNCTAD should continue to provide a focus for activities dealing with this issue. Poland firmly believed that the process of successful integration of the economies in transition into the world economy depended primarily on the ability of these countries to adjust to and enhance structural economic changes. Therefore, great efforts were being made in Poland to establish internal conditions conducive to achieving this goal. Nevertheless, domestic efforts alone were not sufficient; the international environment had an important role to play. The transition process was a costly undertaking in social terms especially and so his country would welcome an external environment that was supportive. Granting better access to Polish products on foreign markets would help. In this connection, the results of the Uruguay Round negotiations aimed at liberalization of international trade were commendable but persistent protectionist pressures still continued to hamper access.

38. The representative of the **Russian Federation** noted the high quality of TD/B/41(2)/8 and expressed support for its major conclusions and recommendations. Successful structural adjustment policies of developed countries could have a positive influence on the expansion of market opportunities for other countries. While effective macroeconomic policies would be decisive for the socio-economic progress of developing countries and countries in transition, their faster integration into the international trading system depended also on predictable access to developed countries' markets. As regards economic reforms in his country, a rather high degree of liberalization and openness had already been achieved. A trend towards stabilization in industrial production and a slow-down in the recession was visible. The price structure was coming into line with international prices. Despite the remaining stabilization problems, the nadir had probably been reached and the trend would now be upward. The goal of the Government was to

create favourable conditions for economic revival and growth. To that end, economic reform was continuing with efforts concentrated along the following lines: pursuit of a strict and rational monetary policy so as to lower the inflation rate to 1 per cent monthly; the establishment of limits for the budget deficit; further development of the financial market, etc. A number of target measures had also been taken to stimulate investment, to simplify the procedures for the establishment of enterprises with foreign participation and to put in place incentives to this end. Agenda item 2 was especially relevant for countries steering a firm course of economic reform and so merited further study.

39. The representative of **Romania** agreed that there was a need for a "positive" approach to structural adjustment, in line with changes in comparative advantage, as had been underlined in the secretariat report. In addition, it was important to ensure transparency and predictability in terms of objectives pursued, instruments applied and the results expected from structural adjustment policies. The consequences of structural adjustment policies in developed countries had an important bearing on Romania and other countries in transition because their trade with developed countries was rapidly growing since their transition to a market economy and an outward orientation. Therefore, dynamic cooperation based on increased market access, technology inflows and logistics support for economic restructuring were more important than ever.

40. The representative of the **Slovak Republic** said that the year 1993 had marked significant transformations in all spheres of economic life. Progress had been made in reforming the banking and financial system. In addition to the setting up of the Central Bank - National Bank of Slovakia - a network of specialized banks had also been expanded. Simultaneously, new financial institutions had been established, along with a capital market, functioning systems of taxation, social insurance, social security and wages. The share of the private sector had been growing. These reforms contributed to the economic results achieved in 1994 which had been better than expected. The principal aims of government policy were to create conditions for long-term macroeconomic stability, revitalization, development and restructurization. The transformation process depended on accelerated privatization. The realization of socio-economic objectives implied a higher utilization of external financial resources. The key goal of the current financial programme was fiscal consolidation and gradual elimination of the national budget deficit. Ambitious but realistic macroeconomic goals in the country's four-year programme included annual GDP growth of 5 per cent and annual rates of inflation and unemployment of below 10 per cent. In support of foreign export trade, national policy would be aimed at overcoming barriers posed by lags in financial infrastructure, a lack of long-term credit under conditions conducive to competition, insufficiently developed services sectors, including risk coverage for exports, and inadequate support to entrepreneurs of small- and medium-sized enterprises seeking to penetrate foreign markets.

41. The representative of **Argentina** said that the Cartagena Commitment had established the basis for development cooperation by calling for mutual exchanges of experience and analysis of the adjustment process resulting from the Uruguay Round disciplines and reform programmes for both developing and developed countries. "Positive adjustment", a concept coined in the context

of the Organization for Economic Cooperation and Development (OECD), had to be linked to a global perspective for effective development. Many social rigidities which hampered the adjustment process in certain production sectors of developed countries, for example, unemployment, were likewise present in the developing countries which had undergone adjustment but still had not gained better access for their products in developed country markets. The opening of their economies without reciprocal increases in export opportunities was a no-win situation. No development process could rely exclusively on financial elements for its viability. Trade liberalization triggered by the Uruguay Round depended on better market access for products from the developing countries and so a coordinated response was essential. Transparency and a political will to fulfil the Uruguay Round agreements was the first step towards progress; this was especially so in agriculture, as one example of an area that was particularly sensitive for developed countries. Argentina did not agree with paragraph 83 of the secretariat report, with respect to regional integration groups having a limiting influence on the structural adjustment process, as MERCOSUR had achieved not only ambitious openings in regional trade but had done so on a global multilateral level as well. In view of the global scale of economic interdependence where short-term movements of capital could wreck havoc with any adjustment/recovery process, positive adjustment in a global context merited greater study and debate in the unique forum offered by UNCTAD which focused on the development perspective. He then called for strengthening of cooperation with OECD, for example, as an expression of the political will already articulated at Cartagena but which must be given deeper resonance at UNCTAD IX.

42. The representative of **Switzerland** welcomed the evidence of a true Cartagena spirit of partnership for development shown in the debate; the concept had proved its usefulness in the open exchange of views in examining internal policies. He praised the secretariat report, especially its definition of the role of Governments and the general principles which should guide any structural adjustment process, namely, transparency, relocation and a global perspective. The proposed "positive approach" to adjustment was sensible but not without pitfalls. As Governments seldom made good economic choices at the microeconomic level, his country was following a policy that left such concerns primarily to market forces. The Swiss policy mix sought, however, to help disadvantaged regions and sectors in efforts ranging from financial incentives and tax relief to special research and development and human resources development. There was widespread consensus that the most useful role for government in this context was to finance basic research and to support private-sector-led vocational training schemes. In closing, he proposed that future work on encouraging intra-industry trade and networking of small- and medium-sized enterprises could be usefully pursued within the forum offered by the Ad Hoc Working Group on the Role of Enterprises in Development.

43. The representative of **New Zealand** referred to the helpful report by the secretariat which had pointed out the usefulness of continuing study of trade policy. In regard to the outcome of the Uruguay Round, New Zealand was convinced that the long-term reorientation of agricultural support and protection had been one of its fundamental achievements. Improved market access for developing countries agricultural products, an area where they enjoyed a comparative advantage, was a feature of great importance. In

recognition of the benefits of a liberal trading system and a market-based policy framework, New Zealand had undertaken in the past 10 years a dramatic programme of economic restructuring that gave effect to these principles. This reform included the dismantling of all quantitative restrictions on imports and a massive scaling back of tariff levels. Likewise, all agricultural subsidies had been eliminated. The resulting remarkably open market had encouraged expansion of trade on the basis of real comparative advantage and had been extremely efficient in regard to the agricultural sector. In conclusion, he emphasized that New Zealand's experience pointed to the importance of sustained support on the part of the international trading community for commitments undertaken in the Uruguay Round and the setting in place of policies conducive to freer and more open trade favouring healthy competition.

44. The representative of **Ukraine** outlined his country's efforts to create a socially oriented market economy. Implementation of a comprehensive programme of macroeconomic stabilization and structural reforms was being coordinated with the International Monetary Fund. It focused on four key factors: (a) macroeconomic stability, (b) promotion of competition in the market for goods and services, (c) large-scale privatization, and (d) creation of a system of social protection for vulnerable population groups. Ukraine recognized that stability and growth depended on carrying out a fundamental restructuring of production. The main goal of pricing policy was limitation of local and national government intervention in establishing and regulating prices, with a view to achieving more efficient distribution of scarce production resources. However, the process of transforming the economy was increasingly hampered by the deepening economic crisis. In 1994, industrial and agricultural production rates were down, respectively, 72.3 per cent and 84.5 per cent compared to 1993 levels. The solution to the urgent economic problems was directly related to accession to GATT and WTO and the process of obtaining full membership in this multilateral trading system formed an integral part of economic reforms. Efforts were also being pursued to make national laws compatible with the Uruguay Round agreements. A new draft law on foreign trade activities and amendments to investment laws were being elaborated, aimed at improving the investment climate. The drastic restructuring under way required mobilization of considerable foreign investments. Additional efforts to attract foreign capital and to liberalize the country's trade regime included eliminating export quotas and licences. In closing, he appealed to the European Union and the United States to show an understanding of the economic problems by eliminating existing discriminatory treatment facing some Ukrainian export items.

Action by the Board

45. The action taken by the Board on agenda item 2 is reported in TD/B/41(2)/15(Vol.I), section I.B (see agreed conclusions 422 (XLI)).

Chapter II

SUSTAINABLE DEVELOPMENT: POLICY REVIEW OF UNCTAD'S ACTIVITIES ON SUSTAINABLE DEVELOPMENT

(Agenda item 3)

46. For its consideration of this item, the Board had before it the following documentation:

> "Policy review of UNCTAD's activities on sustainable development", report by the secretariat (TD/B/41(2)/10).

Consideration in Sessional Committee I

47. In introducing this item, the **Officer-in-Charge of the Commodities Division and Coordinator for Sustainable Development** introduced the secretariat's report (TD/B/41(2)/10) which outlined UNCTAD's institutional machinery to deal with this major issue. The UNCTAD secretariat would be involved in the third session of the Commission on Sustainable Development, in New York, both in its role as Task Manager for trade and environment for the United Nations system, and in its role of substantive contributor to the deliberations on both sustainable consumption and production and finance for sustainable development. This interlinkage demonstrated how integrated the roles and programmes on sustainable development had become. Secretariat resources devoted to sustainable development matters were limited, however, particularly in such areas as environmentally sound technologies, environmental services, and poverty and sustainable development, and unlikely to expand over the next biennium; therefore the contribution of Finland and the Netherlands, two countries which had generously put the services of professional officers at UNCTAD's disposal for work on sustainable development issues, merited special praise. Other countries were invited to join in this effort. On the dissemination of the results of work on sustainable development, the secretariat, in conjunction with research institutes, mainly in developing countries, had produced high-quality and original research. Attempts had been made to build the findings into a number of technical assistance projects. Whatever countries could do to help disseminate the results would help to give deserving follow-up to this effort.

48. Within the United Nations system, central responsibility for sustainable development had been assigned to the Department of Policy Coordination and Sustainable Developments in New York. Hence, much of the UNCTAD secretariat's work on sustainable development was channelled through this Department and future plans had already been defined by Governments in the multi-year thematic work programme of the Commission on Sustainable Development (CSD). The resultant heavily-charged programme covered a vast range of issues, many of which were outside the scope of UNCTAD, although several were precisely those on which UNCTAD - with its usual prescience - had chosen to concentrate. Hence, by following up specific lines of work expressly of interest to member States, aspects that were new, relatively unexplored or in need of analysis or policy development that were not being considered in depth elsewhere from the perspective of the developing countries could be pursued

and UNCTAD could perform initial exploratory work - including some basic research - to determine what its future contribution should be. This initial work could be considered, at intergovernmental level, in the context of expert groups, ad hoc working groups and standing committees, as appropriate. The issue could be brought before the Board only when deemed mature for policy action. This approach allowed great flexibility and issues could be taken up as and when they appeared relevant to member States. In view of the ongoing work of the Ad Hoc Working Group on Trade and Environment, and the flexibility built into Decision 402 (XXXIX), the Board might therefore wish to postpone consideration of the theme "Trade and environment" at the first part of its forty-second session. If delegations so agreed, no formal action need be taken other than approval at the current session of the provisional agenda. Finally, he suggested that, after the conclusion of the debate, the Board could take note of the secretariat's report on this item.

49. The representative of **China** said that sustainable development was important for the future healthy development of the world and that in giving the issue priority, UNCTAD was heading in the right direction. Sustainable development was closely related to each country's comprehensive socio-economic development. Therefore, when engaging in research and analysis on sustainable development, and especially when designing policies and standards, attention had to be given to the differences between developing and developed countries, particularly in terms of development stages and technology levels. Doing so would ensure that the balanced development and competition capabilities of the developing countries would not be impaired. Due consideration would have to be given and allowance made for the actual difficulties faced by the developing countries. Financial and technical assistance from the developed to the developing countries could play a positive role in improving the development status of the developing countries, with a view to reaching the common goal of sustainable development. UNCTAD, with its comparative advantages, had made great contributions to sustainable development. In future, continued efforts should be made to strengthen the work of its standing committee and ad hoc working groups by undertaking in-depth, detailed and systematic studies on the relevant issues and by exploring new dimensions and new ways to make development sustainable. He, finally, thanked the Governments of the Netherlands, France and Finland for their tangible support to UNCTAD's research on sustainable development.

50. The representative of **Romania** said that UNCTAD's activities on sustainable development were of great interest to her country. Hence the inclusion of this complex issue into UNCTAD's work in various domains, such as commodities, trade, technology transfer, services, poverty alleviation and others was most welcome. In this respect, the establishment of the Ad Hoc Working Group on Trade, Environment and Development was a step in the right direction. Work within it should contribute to discouraging the adoption of trade-related environmental policy instruments which would restrict trade. UNCTAD should continue its efforts to reach a consensus of member States as regards the interaction between environmental and trade policies.

51. The spokesman for the **Asian Group** (Philippines) said that the challenge facing all economies today was to achieve growth which meets the needs of the present generation while safeguarding the future of the planet. The challenge

of development had become more daunting than ever for developing countries. Sustainable development emphasized global interdependence since the only way to sustain long-term economic progress was to link it with environmental protection. For this a new and equitable global partnership was indispensable. UNCTAD's eighth Conference, at Cartagena, had recognized that sustainable development implied enhanced international economic cooperation so as to make economic growth and environmental protection mutually supportive. Before this commitment could become a reality, much remained to be done. UNCTAD could play an important role in this and likewise in the implementation of Agenda 21. UNCTAD was an essential international forum for examining the impact on trade of environmental policies, regulations, and standards set by developed countries, particularly those meant to protect the environment. These new conditionalities were now threatening market access and competitiveness of developing countries. Eco-labelling by individual countries based on unilateral standards, without an international understanding, could be prejudicial to foreign producers. Work on harmonizing standards and mutual recognition would be timely. The discussions in the Standing Committee on Commodities and in the Ad Hoc Working Group on Trade, Environment and Development had pointed out new opportunities for exporters from developing countries arising from the growing demand in industrialized countries for environmentally friendly products. There was a need to examine measures aimed at engaging more fully the creative potential of small and medium-scale enterprises in the generation and dissemination of environmentally-sound technologies. UNCTAD should now work on the relationship between poverty and sustainable development. The linkages must be well understood. Internalization of environmental costs was another line where work must assume a clear direction. This aspect would be examined in greater depth by the Standing Committee on Commodities. Internalization would have to yield meaningful environmental benefits while contributing to the growth of developing countries. Agenda 21 had also called for substantial new financial assistance for developing countries in the pursuit of sustainable development. He praised the secretariat's work on sustainable development and in concluding thanked the donor countries - Netherlands, France and Finland - whose contributions had made the UNCTAD studies possible.

52. The representative of **France**, speaking on behalf of the **European Union**, recalled how UNCTAD had grasped from the beginning the importance of sustainable development in relation to development issues and had undertaken case studies which formed a pragmatic basis for fact-finding. TD/B/41(2)/10 constituted a valuable working tool. However, he would have preferred a synthesis. Clarification of certain concepts such as sustainable development, environment and ecology would have been useful. UNCTAD had been focusing more on the issue of environmental protection than on sustainable development and in this regard the Board might wish to provide clearer orientations for the future work. The connections between UNCTAD's work and that of other organizations with near or similar competences had not been defined, likewise the fruitful cooperation of the UNCTAD and WTO secretariats on this issue should have been mentioned. Moreover, there was no mention in the document of the two UNCTAD-UNEP informal ministerial meetings on trade and environment. He would have welcomed more information on the necessary cooperation between UNCTAD and OECD in this domain, as well as with UNIDO on the issue of eco-labelling. Likewise an evaluation of how UNCTAD performed its role as

Task Manager for trade and the environment would have been useful. The Standing Committee on Poverty Alleviation had still not taken up sustainable development and the Standing Committee on Developing Services Sectors had examined only one of the three themes on services and sustainable development. Regarding financial mechanisms, which did not fall, strictly speaking, within its competence, in the absence of any specific mandate given to UNCTAD, the Board could not encourage the secretariat to devote resources from its regular budget to this theme. Clarification might be needed regarding the respective fields of competence of the various United Nations organizations. UNCTAD had been able to undertake good quality work in the area of trade and the environment and sustainable development. This should remain an area for priority actions, including in terms of resource allocation. UNCTAD should also continue to link its work to that of other United Nations bodies and international organizations with the relevant competence. The Board should regularly proceed at its annual sessions to a review of work on sustainable development; whatever the secretariat could do to provide clarifications about the modalities followed for informing the Commission on Sustainable Development of the work accomplished in UNCTAD in this area would be useful, particularly with regard to how the Board should be associated.

53. The representative of **Canada** stated that she was pleased to see that implementation of the concept of sustainable development, both within each country and globally, had been integrated into UNCTAD's work, and that cooperation with other specialized agencies to support this integration was being pursued. Specific work on sustainable development should be conducted in the context of subsidiary bodies of the Trade and Development Board, as the secretariat had proposed, with the exception of issues of sufficient political maturity for the Board. The Board should also periodically assess the focus of this work within UNCTAD and within multilateral institutions generally. It could thus provide guidance that would enable the secretariat to deal with areas where UNCTAD had a comparative advantage. UNCTAD's valuable role in bringing together all countries - developed, developing and in transition - to discuss the issues and thus increase their mutual understanding should be encouraged. In addition to analytical papers and workshops, a number of country-specific case studies on the effects of environmental measures on trade and market access had provided a useful empirical basis for theoretical discussions, including in other international organizations, and had contributed to analytical capacity-building within the countries concerned. UNCTAD had succeeded in presenting specific issues from the developing countries perspectives, in particular with regard to eco-labelling; this work had proved useful also in other organizations, and especially in OECD. UNCTAD offered a non-negotiating forum where countries at all levels of development could address trade and sustainable development issues of particular concern. As discussions progressed in parallel within WTO, UNCTAD's analytical contribution would increase in importance. UNCTAD should pursue capacity-building activities through technical support and information dissemination. Continuing to collect empirical data on issues of concern for debate, and to identify practical approaches to cost internalization, for example in the commodities area, were likewise roles for UNCTAD. Finally, working closely with other intergovernmental organizations, such as UNEP and WTO, so as to ensure that the concerns of developing

countries were given full consideration and to benefit from their particular expertise, would enhance UNCTAD's contribution to progress on these complex issues.

54. The representative of **Mexico** expressed satisfaction with UNCTAD's work on trade and the environment and stressed the need to put into practice the basic principles internationally agreed upon underlying the trade-environment linkage, especially the one that recognizes trade as an important instrument for economic growth and development - thus widening options for environmental protection - and the one that recognizes that sustainable development requires a dynamic international economy as well as a predictable international trading system in order to support national economic policies for development and protection of the environment. The promotion of sustainable development was incompatible with the imposition of environmental conditionalities; there was a need to avoid a new protectionism based on environmental considerations. In view of the strong links between poverty, environmental degradation and sustainable development, developing countries needed to have better access to international markets. Referring to UNCTAD's comparative advantages in environmental matters, he mentioned, inter alia, its universality. UNCTAD's experience must be utilized for the preparation of analytical documents of a general and sectoral nature that would constitute a valuable input for policy discussions and exchanges of views on the issue of trade and the environment. In this context, full coordination should be sought among UNCTAD and WTO, UNDP, UNIDO, OECD, the Commission on Sustainable Development, and the various relevant regional bodies. He then thanked donor countries for their contributions and support for UNCTAD's work in this area. His delegation agreed with the contents of paragraphs 60 and 64 of TD/B/41(2)/10 regarding UNCTAD's contribution to the attainment of sustainable development. He also supported the idea that technical work on the subject should first be looked at in subsidiary organs, for subsequent consideration by the Board when the issue was sufficiently mature in policy terms.

55. The representative of the **United States of America** welcomed UNCTAD's work to date on trade and environment. Within the broad division of labour among various United Nations bodies concerned, such as UNEP, or within WTO, his country would like to see UNCTAD focus on technical analysis, particularly that of a sectoral or regional nature rather than on general policy pronouncements or recommendations. Greater participation by non-governmental organizations in UNCTAD's work in this field would also be appropriate. Along with work to identify and address trade impacts of environmental policies, it was equally important to ensure that the trading system did not impair legitimate environmental protection measures. The objective was to ensure that environment and trade policies were mutually supportive, with a view to achieving sustainable development, as recognized at the Rio de Janeiro Conference in 1992. Regarding the possible effects of international environmental agreements on the trade and development prospects of developing countries, UNCTAD could focus on the consideration of elements to be included in the future negotiations of international environmental agreements so as to ensure that such effects were adequately taken into account. As for domestically prohibited goods, in order to avoid duplication, UNCTAD should deal with keeping members appraised of the ongoing work in other forums.

Finally, he noted that the overwhelming majority of product-related trade measures were simply extensions of domestic environmental policies; as such, they were not designed to restrict trade but only to ensure that products which did not conform to domestic health, safety and environmental standards did not enter the domestic market. Moreover, such measures normally conformed to the GATT principles of non-discrimination and national treatment.

56. The representative of **South Africa** pointed out that his country should be acknowledged by the world community as a developing country, albeit one with a fairly well-developed economy and infrastructure. Uplifting the poorer population segments through mobilization and redistribution of financial and natural resources was a priority in his country. It was important that environmental issues not become barriers to trade, otherwise not only bigger industries, but small and medium-size enterprises might be affected as well. On the subject of internalization of environmental costs, the Department of Environmental Affairs and Tourism of South Africa had started a programme dealing with fiscal measures in environmental resource management. "Managing South Africa's Environmental Resources: A possible new approach" had been released in November 1993 and a major four-year project "The Use of Environmental Resource Economics in Environmental Impact Management" had been launched in December 1993. Implementation of the National Policy on the Internalization of External Costs was expected to begin in 1996. Viewed from the perspective of protection of the natural environment, UNCTAD's approach to the trade issue was based on sound principles. Equally valid was the emphasis placed on the necessity of sound environmental policies and on the intricate relationships between trade, the environment and sustainable development. The development and transfer of environmentally sound technology had progressed in South Africa, but aspects such as vested interests and community values had had a significant impact. Affordability and acceptability of such technology could not be neglected. In the area of services, his delegation fully supported the proposal for measures to facilitate the establishment of port reception facilities for the collection of oil and chemical residues and garbage from ships. South Africa was a signatory to the Framework Convention on Climate Change but had not yet ratified it. Research was being undertaken on behalf of the Department of Environmental Affairs and Tourism to calculate the country's emissions of "greenhouse" gases. Because of the nature of its industry, economy, population structure, and less efficient energy use, South Africa was an energy-intensive society. This resulted in a high per capita emission of carbon dioxide, coming mainly from coal used as a primary energy source. The system of National Accounts in South Africa had provided for depreciation of man-made capital, but did not recognize that the depletion of non-renewable resources and the degradation of renewable resources were costs. The Development Bank of Southern Africa was leading an investigation into possible ways in which this could be remedied.

57. The representative of **Japan** pointed out that the interrelationship between development and environment varied from one country to another, depending upon the extent of its growth and development. For many countries, incorporating the poor into the development process was the first step towards the achievement of sustainable development. Some countries could afford the cost of introducing appropriate environmental measures such as investments in efficient use of energy and thus take a "win-win" approach to achieve both economic efficiency and environmental protection at the same time. UNCTAD

should focus on finding ways to widen the policy options of developing countries in order to reconcile environment and development. As regards the orientation of future UNCTAD work, a special session of the Trade and Development Board in preparation for UNCTAD IX, in December 1995, would be the appropriate forum to discuss basic policy-related matters related to sustainable development and to consider how and where to proceed with UNCTAD's subsequent deliberations on sustainable development. UNCTAD, as Task Manager for trade and environment in the follow-up process to the United Nations Conference on Environment and Development would continue to analyse the real and possible merits and demerits of sustainable development for developing countries and pass on the results not only to the Commission on Sustainable Development but also to WTO for their deliberations. He expressed confidence that UNCTAD would fulfil its mandate successfully and looked forward to participating actively in the work.

58. The representative of **Switzerland** expressed appreciation of the work done by UNCTAD and the useful role it was playing in the United Nations system-wide thrust towards sustainable development. While the cost-internalization issue was of utmost importance, it was still an elusive goal: full cost-internalization would only be achievable in the long run; meanwhile internalization of costs would at best be partial and involve political trade-offs in which there could be more in terms of the environment or more in terms of production and trade, but not simultaneously more of both. His country welcomed the contribution in this context of the Working Group on International Standards of Accounting and Reporting which had contributed to creating analytical tools for the integration of environmental cost assessments into decisions taken by both the private and the public sectors. Valuable work was being done by UNCTAD on trade and environment issues; it was important, however, to ensure that efforts within different international forums were equally effective and that duplication was avoided. He recalled UNCTAD's remarkable work on potential trade impacts of emerging eco-labelling, eco-packaging and other programmes of life-cycle approaches, and also on means of increasing exports of environmentally-friendly products, saying that this work should be pursued. In future, UNCTAD should devote specific attention to, and elaborate on, the concepts of "inherent environmental comparative advantages of nations" and "differing preferences among countries". Finally with regard to services, Switzerland had found the work by the two committees on shipping and insurance very useful, and agreed with the spokesman for the European Union that services deserved due attention, particularly transportation, insurance and tourism.

59. The **Coordinator for Sustainable Development** responded to the desire voiced by several delegations for UNCTAD's intergovernmental machinery to take up issues relating both to the linkages between poverty, environmental degradation and sustainable development, more generally, and the role of the services sector in sustainable development, tourism and insurance, in particular, noting that Governments might wish to set the corresponding agendas of the Board's subsidiary bodies with this objective in view, and the secretariat would then produce the requisite documentation; the agenda of the Ad Hoc Working Group on Trade and Environment might focus, for example, on support to the WTO process. Many delegations had expressed concern that the UNCTAD secretariat work closely with other secretariats active in the field of sustainable development but this was already being done. In particular, the

UNCTAD secretariat was working very closely with the secretariats of UNEP, UNDP, CSD, ITC, WTO, OECD and IMO; it had maintained close contacts with numerous NGOs, such as the IISD, WRI, CIEL, WWF, FIELD, IFAP and IUCN, to name but a few. It was actively building relations with other international organizations, such as FAO and UNIDO, through the Task Manager process, and would be working towards fuller collaboration with the OECD on matters relating to sustainable consumption and production, as its cooperation with OECD had previously been concentrated in the area of trade and environment. He considered it to be a fair criticism that some of UNCTAD's efforts in the field of sustainable development had been focused more on environment than on development, even if the work was all directed ultimately towards the goal of improving the prospects of the developing countries. It was now for Governments to ensure that, for example, the Standing Committee on Poverty Alleviation took specifically into account issues relating to sustainable development. Finally, he referred to the secretariat's work on innovative financial mechanisms in the field of sustainable development, which one delegation had considered inappropriate for support under the regular budget. However, this work was germane to the expressed concern of Governments seeking to implement measures which had been agreed upon in Agenda 21. The secretariat had thus far concentrated attention on one particular area, but the approach would be relevant for others, once it had proved its worth. The secretariat's work in this area was highly appreciated beyond UNCTAD, as was evident from the invitation to act as a major contributor to the intersessional work of the Commission on Sustainable Development (CSD). The secretariat had been instrumental in both the Prague and Glen Cove seminars in preparation for the CSD's intersessional working group on finance which met in February 1995. Less than one man-year of regular budget resources was devoted to this work, most of it being accomplished by extra-budgetary financing of interested Governments.

60. The representative of **Honduras** said that the most important message to be understood was that the nations of the world shared a common destiny. Development was not a question of parallel trajectories oriented in the same direction but rather that of an intricate network interconnected in myriad ways with an unforeseen outcome. Interdependence was the phenomenon with the greatest impact on countries. The globalization of trade, telecommunications, technological advances and social phenomena such as spreading poverty and ecological degradation were all elements that showed how interdependent the world had become and how important the international context was in the search for balanced and sustainable development. Interdependence also explained the necessity to negotiate. The countries that had formed the Alliance for Sustainable Development - Costa Rica, Honduras, Nicaragua, Panama and Salvador - were developing a national and regional strategy in a spirit of ecological and political cooperation. As progress had to be equitable and new opportunities found for disadvantaged population groups, the international trade arena was of critical importance. External trade had to be negotiated on a level basis, bearing in mind that human beings were at the core of all development and that people's aspirations must be realized. This full support of the international community was essential for sustainable development to be achieved. Her delegation considered the work to this end within UNCTAD to be vital because of the development aspects which were central to all analyses of environmental questions. In this context, it was hoped that other countries

might join with Finland, France and the Netherlands in their generous support for the activities entrusted to the UNCTAD secretariat in the field of sustainable development where UNCTAD had been called upon to play a central role.

Action by the Board

61. At its 858th plenary meeting, on 31 March 1995, the Trade and Development Board took note of the report by the UNCTAD secretariat entitled "Sustainable development: policy review of UNCTAD's activities on sustainable development" (TD/B/41(2)/10).

Chapter III

IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s: (a) STATUS OF PREPARATIONS FOR THE HIGH-LEVEL INTERGOVERNMENTAL MEETING ON THE MID-TERM GLOBAL REVIEW OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s; (b) ANNUAL REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION

(Agenda item 4)

62. For its consideration of this agenda item, the Board had before it the following documentation:

"The Least Developed Countries 1995 Report" (TD/B/41(2)/4 - UNCTAD/LDC/(1995)).

Consideration in the Special Sessional Committee

63. The **Director-in-Charge of the Division for Least Developed, Land-locked and Island Developing Countries** said that the UNCTAD secretariat attached the highest priority to the High-level Intergovernmental Meeting on the Mid-term Global Review of the Programme of Action for the LDCs for the 1990s. To assist the intergovernmental dialogue, the UNCTAD secretariat had set in motion a number of preparatory activities, some of which had already been concluded. Besides convening meetings, UNCTAD's preparatory activities also included preparation of substantive documentation, coordination with other parts of the United Nations system on regional and sectoral preparatory activities and organization of media events and other advocacy activities. The UNCTAD secretariat was also seeking extrabudgetary resources to facilitate the participation of LDC representatives in these meetings.

64. The Least Developed Countries 1995 Report recalled that so far insufficient progress had been made in implementing the Programme of Action, including in the provision of external support. Much more vigorous national and international policies and measures were needed in order to attain the objectives of the Programme of Action during the remainder of the present decade. Such actions were rendered all the more pertinent by the concern that the increasing globalization of the world economy might lead to further marginalization of the LDCs. An important conclusion of the Report was that, while the process of reform in LDCs had proceeded on a broad front, its pace and scope contrasted sharply with the meagre results achieved so far in most countries. LDCs had been expected to implement policies not always designed to suit their conditions and to accomplish too much, too soon, and with too few resources. In a number of LDCs, political conflicts and civil strife, often associated with armed hostilities, had led to a serious breakdown in the system of government and further immiserized the people, who were already at the very limits of survival.

65. He briefed the meeting on the major conclusions of the Report as they related to the external environment facing LDCs in the early 1990s in the areas of ODA, debt and external trade. The availability of financial resources remained critical for complementing the efforts of LDCs to promote

socio-economic development. The Report recommended three broad courses of action in that regard: generous replenishment of the soft-term windows of the international financial institutions, as well as of grant-based multilateral programmes; tapping new sources of finance, such as special drawing rights (SDR) allocations and IMF gold sales; and linking ODA more closely to LDCs' long-term socio-economic objectives. Proposals to alleviate the external debt burden of LDCs were also enumerated. External support, including setting-up of safety nets, was essential to mitigate possible adverse consequences on LDCs due to the Uruguay Round agreements, particularly through the provision of additional trade preferences, compensatory financing, ODA and debt relief.

66. The Board should provide guidance on the substantive issues to be considered by the High-level Intergovernmental Meeting to enable that Meeting to make specific recommendations to complement those in the Programme of Action to enhance the pace of progress of its implementation. He outlined a number of priorities contained in the Report which would assist delegations in providing such guidance. Furthermore, the Board should also consider certain organizational aspects of the High-level Intergovernmental Meeting and the Donor/Recipient Meeting, such as the draft agenda, the composition of the bureau and rules of procedures.

67. He stressed that the framework of partnership and solidarity which underpinned the Programme of Action was one that had actually worked. The experience of Botswana, which the year before had been the first country to graduate from the group of LDCs, was glowing testimony to that. Strong national policies and sustained international support were the key elements in the success of Botswana. Another country, Vanuatu, had also been identified by the General Assembly for similar graduation.

68. The spokesman for the **least developed countries** (Bangladesh) said that the UNCTAD secretariat had produced yet another commendable issue of the Least Developed Countries Report. This Report was of special interest to the LDCs, since it was the only publication within the United Nations system that focused entirely on their development concerns. It was of particular relevance to LDCs both for national policy-making and for multilateral negotiations.

69. Despite the fact that the world economy was well on its way to a broad-based recovery, there was no real improvement in the economic situation of the LDCs as a group. Their overall growth performance in 1994 was estimated to have been around 1.4 per cent. In recent years, the majority of LDCs had carried out wide-ranging programmes of economic policy reform. Available data indicated that these reform programmes had led to a marginal improvement in the average economic performance of the LDCs. Greater emphasis should be placed on a broad range of supply-side reforms and less on orthodox demand restraint.

70. The resource availability for LDCs had been adversely affected due to the decline of ODA to LDCs from 0.09 per cent of donors' GNP in 1990 to 0.07 per cent in 1993, as against the target of 0.15 per cent. He acknowledged with appreciation that Denmark, Norway, the Netherlands and Sweden had more than fulfilled their aid targets to LDCs. Enhanced efforts in favour of LDCs from major donors would be essential in turning the tide in the

flow of ODA to LDCs and providing them with the resources they needed. Multilateral ODA had also fallen, and the flow of non-concessional resources had been erratic. Failure to provide sufficient resources to the multilateral institutions would seriously impair their capacity to support programmes and projects in LDCs. An important unresolved issue was the upward adjustment of ODA targets in view of the addition of new countries to the list of LDCs.

71. The external debt burden remained exceptionally high for most LDCs. For almost half of the LDCs, the size of the debt stock equalled or exceeded their GDP. The share of multilateral debt had also increased considerably in recent years. The debt problem of the LDCs therefore needed to be addressed decisively and in a more comprehensive manner.

72. The LDCs had had to accept the overall package of the Uruguay Round as a single undertaking. The agreement on the WTO contained a provision that the LDCs would be required to undertake commitments and concessions consistent with their individual development, financing and trade needs or their administrative and institutional capacities. It was therefore imperative for the international community to give priority to operationalizing the Marrakesh Declaration and related Ministerial decisions in favour of LDCs.

73. The High-level Intergovernmental Meeting on the Mid-term Global Review should be at the Ministerial level, and the Board should make such a recommendation. The Mid-term Global Review should focus on some key areas such as the flow of resources, external debt problems, operationalization of the special measures for LDCs as contained in the Final Act of the Uruguay Round, capacity-building and removal of supply constraints, poverty alleviation and human resources development. UNCTAD IX should give priority to LDC matters in the light of the outcome of the Mid-term Review.

74. Since its creation, UNCTAD had made a significant contribution to international cooperation for development. Its mandate to promote international trade, especially with a view to accelerating economic development, with particular reference to trade between countries at different stages of development, remained as valid as ever. Its role in formulating principles and policies on international trade and related problems of economic development could not be overlooked, despite the creation of the WTO, which was a rule-based organization. He called for strong institutional and financial support to be given to UNCTAD to enable it to continue to make its important contribution to the resolution of problems in the areas of world trade and development.

75. The representative of **Bangladesh** said that his Government had taken important adjustment measures aimed at achieving sustained economic growth and development. In spite of the broad measure of macroeconomic stability achieved, investment had remained low, and the flow of FDI to Bangladesh left much to be desired. Nevertheless, the Government was committed to deepening reform of the financial sector, public enterprises and other areas. Those measures, together with external support, had enabled the country to achieve a real GDP growth of over 4 per cent annually.

76. The strategy for the medium term included the following elements: achieving a GDP growth rate of 6 per cent; containing inflation and fiscal deficit; reducing aid dependence; enhancing the mobilization of domestic savings, investment and promotion of self-reliance; deepening structural reform of the financial and public sectors to eliminate waste and inefficiency; making significant progress towards the viability of the external sector and competitiveness of the economy; intensifying efforts for human resource development; poverty alleviation and encouraging women's role in development; consolidating the outward orientation of the economy; and reducing the population growth rate.

77. Bangladesh had been steadily liberalizing its import policy with a view to promoting both local and foreign investment, particularly in the private sector. A comprehensive reform programme was being implemented, and substantial changes had been made in the import policy: average tariffs had been reduced to 26 per cent, with the highest rate of applicable customs duty set at 60 per cent. A package of incentives had been developed in order to make exports more competitive.

78. The spokesman for the **African Group** (Sudan) said that, as the Programme of Action entered the fifth year of its implementation, the overall prospects of growth and development of LDCs, especially in Africa, had deteriorated markedly. The factors, both external and domestic, which had contributed to the poor performance were well documented in the Least Developed Countries 1995 Report. However, despite the overall bleak picture, a number of African LDCs, including Benin, Equatorial Guinea, Guinea-Bissau, Lesotho, Mozambique and Sudan, had improved their performance and had achieved notable increases in their per capita output during the first half of the 1990s.

79. Most of the African LDCs had launched policy reforms in the recent past and had taken steps to expand and modernize their economic base and enhance their human and institutional capacities, as recommended in the Programme of Action. Their efforts to sustain policy reforms in an inclement environment remained the most striking feature in the implementation of the Programme of Action so far. The international support measures to complement their efforts had been inadequate, as evidenced by the insufficient progress in meeting ODA targets and dealing with their external debt burden and by their diminished trading opportunities. The degree of success of the reform programmes would depend on the external economic environment, including adequate and appropriate external financing.

80. Regarding the Final Act of the Uruguay Round, a major concern for the African LDCs was that they would suffer an erosion of preferential margins on most of their important exports to major markets. In addition, the net food-importing African LDCs were likely to face higher food import bills, at least in the short run, resulting from the agreement on agriculture. To alleviate the concerns of LDCs with regard to the overall package, and in the process enhance their participation in international trade, it would be imperative to operationalize the political commitments made in the Marrakesh Ministerial decision on measures in favour of the least developed countries.

81. Noting that external financial flows from DAC countries and multilateral agencies financed by them to LDCs had declined in absolute terms and as a percentage of GNP, he hoped that the LDCs' development partners would fully implement their commitments in the Programme of Action in all areas as a matter of urgency and provide new and additional resources in view of the enlargement of the list of LDCs in recent years.

82. There should be full cancellation of all bilateral debt and a substantial reduction of debt stock and the debt service burden for debt owed to multilateral financial institutions and commercial creditors. The recommendations of the Ministerial Meeting of the Non-Aligned Countries on debt and development, held in August 1994 in Jakarta, provided a good base for debt resolution, particularly for LDCs, and would greatly contribute towards the evolution of a development-oriented and comprehensive debt strategy.

83. The twin problems of poverty and environmental degradation, particularly in Africa, had to be tackled simultaneously to provide a basis for long-term sustained growth and sustainable development.

84. As regards the follow-up and monitoring of progress in the implementation of the Programme of Action, he noted with satisfaction the efforts being made by UNDP and other United Nations organizations and agencies at the national level. He urged that the UNCTAD secretariat should be fully provided with adequate resources and capacity to ensure an effective follow-up to the outcome of the Mid-term Review and to carry out its country-level work more fully.

85. The representative of **France**, speaking on behalf of the **European Union**, said that it was gratifying to note that preparations for the Mid-term Review were well under way. The European Union would provide information on the questions relating to LDCs' external debt and resource requirements and on its continued support to these countries at the forthcoming Donor/Recipient Meeting. He emphasized the importance of having the LDC annual reports in all languages on time. He commended the UNCTAD secretariat for the quality of the LDCs 1995 Report but considered that it would have been better if the Report had taken a qualitative approach to the issues discussed, rather than providing a quantitative analysis.

86. A preliminary analysis of the LDCs 1995 Report indicated that the overall situation of LDCs remained difficult, and several indicators revealed a deterioration during the early 1990s. There were, however, marked contrasts within the group of LDCs, as Asian LDCs had recorded higher growth rates while African LDCs had lagged behind. More worrisome was the deterioration of per capita GDP, which was particularly critical for African LDCs and was tantamount to a process of impoverishment. Of equal importance was the marginalization of LDCs in world trade. However, it must be noted that the figures on growth prospects presented in the Report were lower than those reported in the IMF World Economic Outlook, which estimated a growth rate of 5.5 per cent for developing countries and 4.5 per cent for LDCs.

87. The overall deterioration in the economic performance of LDCs could be attributed to the changing economic conditions, the continued sharp decline in the prices of commodities of export interest to LDCs, and the fact that

structural adjustment programmes implemented by LDCs had not always produced the expected results. Non-economic factors, including civil wars and armed conflicts in many LDCs, also contributed to the poor performance of those countries. The inability of many LDCs to create a stable and favourable framework for the development of the enterprise sector was also an important factor.

88. The general bleak picture should not conceal progress made by several LDCs, the majority of which were in Africa. As the Report indicated, economic decline was not a fatality. Coherent policies implemented in an environment supportive of economic activity and accompanied by increased external support made it possible to achieve significant growth in per capita GDP despite structural constraints. Better future prospects seemed to be in the offing on the eve of the Mid-term Global Review. The forecasts for 1995 indicated an improvement in growth rates in LDCs to 2.3 per cent, which was close to the world average.

89. LDCs should be helped to build up their institutional capacities and develop their human resources in order to benefit from the opportunities offered by the Final Act of the Uruguay Round. In that connection, the European Union would spare no effort to provide technical assistance to LDCs in order to enhance their participation in world trade by developing their supply capacity.

90. ODA continued to play a key role in supporting LDCs, and the European Union remained by far the main provider of ODA to LDCs. While its share in OECD GDP was less than 37 per cent, the European Union had provided 58 per cent of total OECD disbursed aid in 1994. In 1993, it had provided 0.12 per cent of its GNP as ODA to LDCs, with five of its member States having exceeded the 0.15 per cent target. The European Community provided LDCs with net disbursements of ODA amounting to $1.3 billion, 90 per cent of which was in grant form.

91. The full implementation of the Naples initiative would ensure that bilateral public debt, which constituted the major part of the total debt of poor countries, would no longer be an obstacle to their sustained development.

92. Concerning the forthcoming Donor/Recipient Meeting, he said that emphasis should be placed on improving the effectiveness of assistance, which should be adapted to the reform efforts of LDCs and tailored to the needs of each country. He emphasized the importance of favourable economic policies and good management, as well as the need to ensure close collaboration between the authorities and the local population in the formulation and implementation of policies.

93. The Mid-term Global Review should take into account the conclusions of the major international conferences held since the adoption of the Programme of Action, and the conclusions of the Mid-term Review should be fully taken into account by UNCTAD IX. The European Union would continue its support for LDCs and would participate constructively in the Mid-term Global Review.

94. The representative of **Zambia** said that the impact of the Final Act of the Uruguay Round on the LDCs gave rise to specific concerns, since LDCs might have to bear initial losses as a result of the implementation of the different agreements. Some of those losses would be felt immediately and some in the future. He noted that the underlying assumption for the participation of LDCs in the global economy and for the operationalization of the special provisions in their favour in the Final Act was that LDCs would first have to encounter losses before they could reap any gains. The operationalization of the Final Act would require some thought to be given to a framework which should address the important issues as to how compensation could be provided to countries suffering from losses and the forms of technical assistance for those countries. WTO was already preparing elements on how to cooperate with IMF on some of those issues, and he urged UNCTAD to look at these elements to assess their future effects on LDCs.

95. The representative of **Madagascar** said that the LDCs 1995 Report was well structured and drafted, but he regretted that it had not been made available in all working languages. He emphasized the importance in future of having the Report in all working languages well before the session of the Board.

96. The representative of the **Organization of African Unity** (OAU) said that the General Agreement on Trade in Services (GATS) of the Final Act of the Uruguay Round included an annex on air transport which dealt, inter alia, with the computerized reservation system (CRS). This annex had been ratified by several member States of OAU who had not asked for an exemption under the most-favoured-nation clause. It was important for those member States to obtain that exemption, which would enable them to control for 10 years, through a computerized reservation system, the access to the markets of those countries having the system. The least developed countries had been given until 15 April 1995 to request the exemption. As that deadline was approaching, and taking into account the importance of the question to OAU member States, he requested UNCTAD, in collaboration with WTO, to take all the necessary measures in order to obtain exemption from the most-favoured-nation clause in the air transport sector.

97. The representative of the **United Republic of Tanzania** emphasized the efforts being made by LDCs to implement the Programme of Action. The international community should not consider LDCs as deserving sympathy on moral grounds but should take into account the opportunities which those countries could offer and help them to exploit their resource potential. His own country was endowed with abundant land and sea resources and extensive mineral deposits but lacked the funds to exploit them. Legislation to promote domestic and foreign investments had been enacted and the main sectors of the economy had been liberalized, but only a few investors had so far taken advantage of the opportunities offered. He stressed the importance of partnership with the international community for the mutual benefit of all concerned. The alleviation of LDCs' debt burden was crucial to LDCs' development, and he called for the consideration of new debt initiatives.

98. The representative of **Ethiopia**, referring to the divergence in ODA figures as reported by the UNCTAD secretariat and as mentioned by France on behalf of the European Union, said that if the secretariat had underestimated the financial support of the European Union, this should be corrected. On the

other hand, if the figures given by France were correct, and despite this the socio-economic situation of the LDCs was still deteriorating, then greater efforts should be made by donors to help LDCs overcome their difficulties.

99. The spokesman for the **Asian Group** (Nepal) said that his Group was impressed by the LDCs 1995 Report, which proposed various policy measures for the LDCs and their development partners. He viewed with concern the dual challenge LDCs were facing. They were expected to widen and deepen the external orientation of their economies, and at the same time address their domestic economic and social problems in the content of the rapid globalization of the world economy. The improved economic performances of some LDCs was a testimony to the importance of international support measures in safeguarding the gains so painfully achieved by them. The Programme of Action for LDCs for the 1990s had provided a basis for the LDCs in accelerating their efforts to implement domestic policy reforms. Most LDCs had at great cost undertaken structural adjustment programmes, liberalized their economic policies and meticulously followed the concept of accountable government. In pursuit of those goals, they had encountered hardships such as social problems, the debt burden, meagre inflows of resources, growing unemployment, restrictive trading opportunities and limited transfer of technology. Those were further compounded by natural and man-made disasters such as famine, drought, political strife and inflows of refugees.

100. The Final Act of the Uruguay Round could result in further losses in the LDCs' share of world trade due to the erosion of their preferential margins on most of their export items. He appreciated the support provided by donor countries to LDCs and urged them to continue to provide such support.

101. The representative of **Nepal** said that, at the World Summit for Social Development in Copenhagen, the Prime Minister of Nepal had urged the developed countries to increase the share of their contribution to the land-locked and least developed countries and called for recognition of the scale of the debt burden of the least developed countries and the need to be more considerate when prescribing burdensome conditionalities that affected a country's ability to invest in social development. He had referred to the difficulties faced by many countries, despite the principles accepted under international law concerning freedom of transit. In today's dynamic and globalized world, many challenges had to be faced not only within national boundaries but also through a concerted effort of the international community.

102. In order to make Nepalese society economically more open with a view to facilitating its entrance into the global economy, the Government of Nepal was committed to trade liberalization. The private sector would be encouraged and protected, as it played a significant role in the national economy. Mobilization of foreign investment and transfer of appropriate technologies were welcomed.

103. In the five years since the reinstallation of multiparty democracy in Nepal, two general elections and one nationwide local election had been held. Popular participation in those elections had generated high expectations in respect of basic education, health services, shelter, employment and means of subsistence. Nepal had initiated a programme known as "Build your village

yourself" in order to mobilize the population at the grass-roots level in the task of nation-building. The programme focused much of its attention on land reforms and health services to complement economic activities.

104. Many of the least developed countries were also land-locked, while several others were island developing countries. The additional particular problems those countries faced because of their geographical situation were also a matter of great concern to the least developed countries. Those problems had for several years been addressed in various international fora, particularly the General Assembly and the Trade and Development Board. Despite the efforts that had so far been undertaken to alleviate their particular problems, the land-locked and island least developed countries continued to face formidable problems in their development efforts. He hoped that the Symposium for Land-locked and Transit Developing Countries and the second Meeting of Governmental Experts from Land-locked and Transit Developing Countries, Representatives of Donor Countries and Financial and Development Institutions which would take place in June 1995 would address specific regional problems encountered in implementing the recommendations of the first Meeting of Governmental Experts held in May 1993.

105. The representative of **Japan** emphasized four points relating to the discussions of the development problems of LDCs. Firstly, a clear consensus must be reached on the priority areas for development. While social development was important for the attainment of balanced economic growth, revitalization of economic activities was necessary to finance national development programmes which included social development. Secondly, the need to support those marginalized LDCs facing severe difficulties should be underlined. According to the 1994 DAC Chairman's report, while the total volume of ODA from all DAC donors had been decreasing, LDCs were those least affected by that reduction. Japan had been extending continuous support to LDCs in several important sectors to encourage their self-help development efforts, and it was committed to continuing such support and cooperation in the future. Thirdly, Japan was proposing a new international strategy for development based on a comprehensive approach in which all the elements such as ODA, trade and investment and new additional national resources contributing to development should be effectively coordinated and utilized. Fourthly, a greater role in LDCs' development should be played by new donors which had graduated from the category of developing countries. In that context, South-South cooperation was important in promoting the LDCs' economic participation in both the regional and the global economy. Japan was determined to actively support that kind of cooperation.

106. It was encouraging to note that some LDCs had revitalized their economies through diversification and had experienced economic growth. In order for that growth to be sustained, such multisectoral policies as political and economic stabilization, good governance, participatory development, human resources development, creation of a functional market economy, the revitalization of the private sector and environmental conservation needed to be continuously implemented.

107. The representative of **China** commended the UNCTAD secretariat for the LDCs 1995 Report. The economic situation of the LDCs in the early 1990s had gone from bad to worse owing to the continued deterioration in the

international economic environment and the lack of effective external support. In recent years, most LDCs had at great cost striven to carry out structural adjustments and economic reforms which had brought about some initial results. However, confronted by unfavourable external economic conditions and the lack of practical and effective external support, especially financial assistance, the results achieved through the LDCs' painstaking efforts had been very limited. As indicated in the Report, the ODA allocated by most of the developed countries and multilateral financial institutions to LDCs had been declining annually, thereby falling far short of the commitments undertaken in the Programme of Action. That was an important factor contributing to the lack of full implementation of the Programme of Action.

108. For their economic development, LDCs should first and foremost rely on their own efforts. However, in the present highly interdependent world economy, the success of the LDCs' own efforts at economic development depended, to a large extent, on a supportive external environment and the full support of the international community. She therefore appealed to the international community and especially the developed countries to respond urgently to LDCs' needs in the coming five years by honouring their commitments with regard to ODA targets for the LDCs so as to achieve a rapid and comprehensive implementation of the Programme of Action. Attention should also be paid to the quality of assistance with due regard to the special needs of LDCs.

109. China had maintained a good cooperative relationship with LDCs, and within the framework of South-South cooperation it had extended assistance within its capacity. It was now actively exploring better ways to deliver its assistance, and one way was the use of joint capital cooperation and the grant of government-subsidized loans on concessional terms. With respect to the former, projects could benefit from an enlarged resource base and from better harmony between the enterprise's profit motives and the performance of the project, thus ensuring the success and durability of the project. The recipient countries too stood to benefit from increased income and expanded employment opportunities. In respect of the latter form of assistance, the Government's funds and banks' funds were put to combined use and the banks acted as the executing agents of aid.

110. China was a developing country itself and had its own difficult task of poverty alleviation. However, despite that it was doing its best to provide assistance to the LDCs.

111. The representative of **Sudan** pointed to a discrepancy between the information provided in the LDCs 1995 Report and the UNCTAD Press Release on the Report regarding the countries that had achieved per capita growth rates of 2 per cent per annum or more. His delegation would be seeking clarification from the Officer-in-Charge of UNCTAD in that connection with a view to resolving the problem.

112. The representative of **Switzerland** congratulated the UNCTAD secretariat for the LDCs 1995 Report, which contained highly relevant data and a detailed analysis of the current situation in LDCs. He considered the Report a useful basis for the formulation of future policy guidelines and actions. He noted that, despite the progress achieved by several LDCs in some sectors, their

overall situation remained a cause for serious concern. His Government supported the conclusions of the Report and attached high importance to the success of the High-level Intergovernmental Meeting on the Mid-term Review. He also expressed the hope that the Mid-term Review would provide an opportunity to adapt the Programme of Action to the changed circumstances in the global environment and to the new needs arising from an increasing globalization which threatened to further marginalize a number of LDCs.

113. Considering that the outcome and implementation of the Final Act of the Uruguay Round was a matter of major importance to developing countries and LDCs, his Government was conducting a study of its impact on those countries. The study included case studies of six developing countries, two of which, Bangladesh and Burkina Faso, were LDCs. The results of those studies would be available by the end of April, and hopefully would contribute to the High-level Intergovernmental Meeting. In the context of preparations for the Mid-term Global Review Meeting, his Government had approved the undertaking of an evaluation that would systematically juxtapose the Programme of Action with Switzerland's country-programmes in LDCs and the guidelines for North-South cooperation in the 1990s. That evaluation would provide elements for the updating of his country's development cooperation strategy.

114. The representative of **Zambia** noted with satisfaction that some of the preparatory meetings for the Mid-term Global Review had been successfully completed. Zambia had participated actively in the Expert Group Meeting on Fiscal Policy Reforms in LDCs, since fiscal reform had become an issue of critical importance to the overall process of stabilization and reform in LDCs. He called for additional external finance to offset the adverse effects of reform on vulnerable groups and to sustain popular support for reform. Zambia had also participated in the Expert Group Meeting on Women in Development in LDCs, and considered that the Declaration adopted by the Meeting should be implemented fully and rapidly. The Declaration could also provide a useful input to the Fourth World Conference on Women, to be held in Beijing.

115. The speed and direction of progress of LDCs in the 1990s would be essentially determined by their advances in information technology and actions to ensure cross-border strategic partnerships, underpinned by foreign direct investment and trade. However, it would be difficult to discuss issues of globalization without reference to the WTO, as a substantial volume of world trade, approximately 70 per cent, would fall within WTO disciplines. Issues identified in the Report as impeding economic progress would increasingly be a subject of consideration by different international institutions. Likewise, compensation for non-performers in international trade - which, despite the call in the Marrakesh Declaration for favourable treatment for LDCs, had never been accepted in the context of the WTO agreement - could only be provided in the framework of those institutions. UNCTAD should therefore continue to analyse the implementation of the Marrakesh decision in favour of LDCs and address the principles and policies of trade and development in general.

116. The representative of **Madagascar** said that, in addition to the problems inherent in all least developed countries, island least developed countries had to cope with other obstacles relating specifically to their insularity, their small size, their scattered population patterns and their distance from

major economic centres. The efforts of Madagascar had been undermined by natural disasters such as cyclones and droughts. Despite the limited resources available to the country, efforts were constantly being made with the assistance of donor countries to develop infrastructure and communications. In addition to those efforts, national measures had been undertaken and a structural adjustment programme had just been put in place with the support of the Bretton Woods institutions.

117. The Barbados Programme of Action for the Sustainable Development of Small Island States envisaged national and international measures in favour of island least developed countries, and the implementation of that Programme required international solidarity. Madagascar wished to benefit from the assistance of the international donor community and that of UNCTAD for the effective implementation of the Programme of Action for LDCs, as well as the Barbados Programme of Action.

118. The representative of the **Russian Federation** emphasized the importance of the LDCs Reports for 1993-1994 and 1995 as basic documents for a comprehensive mid-term global review of the implementation of the Programme of Action. The LDCs 1995 Report reviewed the challenges faced by LDCs and their development partners since the Paris Conference and the changes that had taken place in the global economy, and it referred in particular to the implications of the adoption of the Final Act of the Uruguay Round. Some of those developments had adversely affected donors' capacity to provide assistance to LDCs. There was reason to hope, however, that in the next five years some of those negative factors, which also confronted countries in transition, would be overcome and that the situation in the latter would improve by the end of the century, which would give a new impetus to economic cooperation between them and the LDCs.

Action by the Board

119. The action taken by the Board on agenda item 3 is reported in TD/B/41(2)/15 (Vol. I), section I.B (see agreed conclusions 423 (XLI)).

Chapter IV

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s: (a) SUSTAINABLE DEVELOPMENT, POPULATION, HUMAN RESOURCES AND ENVIRONMENT; (b) PROGRESS REPORT BY THE UNCTAD SECRETARIAT AND EVALUATION OF UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF THE NEW AGENDA

(Agenda item 5)

120. For its consideration of this agenda item, the Board had before it the following documentation:

"Sustainable development, population, human resources, environment: report by the UNCTAD secretariat" (TD/B/41(2)/6);

"Progress report by the UNCTAD secretariat and evaluation of UNCTAD's contribution to the implementation of the New Agenda" (TD/B/41(2)/9).

Consideration in Sessional Committee II

121. The **Director of the Division for Economic Cooperation among Developing Countries and Special Programmes**, introducing the sub-item on sustainable development, population, human resources and environment, said that the interrelationship between population, environment and sustainable development had been at the centre of international attention for several years, and the New Agenda for the Development of Africa in the 1990s called for specific actions in these areas. As the world's poorest region, beset with many ecological problems, rapid population growth and inadequately developed human resources, Africa faced a tough battle in blending environmental and development concerns. For Africa, any trade-off between survival strategies and long-term sustainability put the livelihoods, and often the lives, of tens of millions of people at risk. It was, therefore, necessary that efforts to achieve population growth rates which struck an optimal balance in the interrelationship between population, the natural resource base and the environment should be complemented by efforts to reduce poverty. Many of Africa's environmental problems were associated with lack of economic development.

122. With regard to the progress report and the evaluation of UNCTAD's contribution to the implementation of the New Agenda for the Development of Africa in the 1990s, she pointed out that, in the area of policy research and analysis, progress had been made; however, technical cooperation activities were being threatened by the general diminution of resources available to the United Nations system in general and African programmes in particular.

123. African Governments were now faced with a new reality: having to compete with one another and with countries from other regions for a decreasing proportion of official development assistance (ODA) and for the available

stock of private capital. Private flows had become more important in total long-term flows to developing countries, but Africa had not been successful in attracting such capital flows.

124. UNCTAD's work would continue to be reoriented so as to address the issues that would enable African countries to respond to the new set of criteria adopted by the major aid donors.

125. Finally, the development of Africa was a long-term process which would require sustained efforts over many years. Patience would thus also be necessary with regard to reforms. She emphasized the need to slow down population growth, and for this to be achieved efforts ought to be exerted to achieve equality between men and women. There should also be rigorous action to address the issue of poverty reduction.

126. The spokesman for the **African Group** (United Republic of Tanzania) reminded the Committee that the 1980s had been called the "lost decade" for Africa, and the continent's current state of underdevelopment was described in the secretariat's report (TD/B/41(2)/6). In addition to the problems discussed in that report, Africa also experienced very low levels of productivity, a threatened collapse of the social fabric in respect of education, health and shelter, and perennial problems such as unemployment, natural catastrophes and drought. There were also the problems of population growth that outstripped output, debt and falling per capita food production. Structural adjustment programmes had not yet contributed to the revival of the African economies, which thus needed to be relaunched into growth on an urgent basis.

127. Sustainable development was of paramount concern to all countries, and he expressed the hope that the Commission on Sustainable Development would forge international cooperation towards the implementation of Agenda 21. The principal environmental problems in Africa involved soil erosion and the consequent desertification, which was seriously undermining the productive base of the continent's predominantly agricultural economy.

128. It was generally acknowledged that, without adequate environmental protection, development would be undermined, and without development, environmental protection would fail. Environmental protection could only be implemented effectively if accompanied by simultaneous efforts to solve the problems of poverty, and the problem of insufficient financing, which was the key obstacle to the protection of the environment, must be overcome. In that connection, however, the donor community should not use the environment as another form of conditionality.

129. The growth of population relative to the resource base and the high rates of growth of population in the developing countries were considered to be the fundamental causes of both poverty and environmental degradation. He emphasized the need to reduce the rate of population growth in Africa, which was currently about 3.25 per cent per annum. Priority had to be given to the improvement of child survival rates, the expansion of female education, improvement of the economic and social position of women, and the rapid

extension of family planning. He called on the international community to support national policies aimed at implementing the Cairo Plan of Action in the African countries.

130. The strengthening of the human resource base in dealing with the manifold development issues facing Africa was of vital importance for successful policy implementation, and he endorsed the list of priority areas for the development of human resources indicated in the secretariat's report. In addition, it was necessary for the African countries to emphasize education in basic sciences, backed by an effective system of research, vocational training and on-the-job training. The purpose should be to create a critical mass of trained personnel to be deployed in the production system, particularly in the areas of agriculture, livestock, forestry, fishing and food processing, as well as to lay a good foundation for industry.

131. The international community could assist Africa through: (a) debt reduction, including writing off the debt of the least developed countries and establishing mechanisms for re-financing for development purposes; (b) increasing official development assistance; (c) increasing commodity prices and contributing to the establishment of a diversification fund for African commodities so as to enable African countries to generate adequate savings for development and environmentally sound management of their natural resources; and (d) improving the access of the South to the markets of the North by removing the various tariff and non-tariff barriers, particularly for manufactured goods. He requested that these issues, which were of immediate concern to Africa, be included in the agenda for UNCTAD IX.

132. He concluded by calling for an increase in resources available to UNCTAD on activities related to the work on Africa.

133. The representative of **France**, speaking on behalf of the **European Union**, said that the secretariat's report gave a clear analysis of the relationship between population growth, human resources and the environment, and its conclusions were similar to those reached at the recent major international conferences that had dealt with these issues. What remained was to put in place programmes that could deal with these problems effectively.

134. The main problem in the area of the interrelated issues of sustainable development, population, human resources and environment was that the importance of demographic factors was not fully appreciated in Africa. To address these issues effectively, one needed to take into account economic, social and cultural factors.

135. Concerning environmental protection, the secretariat's report clearly established the link between poverty and high population growth rates, and he agreed that what was needed was to reduce poverty and return the African economies to a path of sustainable growth after a decade characterized by deterioration in development and human indicators.

136. A number of comments were, however, called for. First, the idea of a "lost decade" in Africa was evoked frequently. The view of the European Union was that many African countries were experiencing a transitional period

consisting of a transformational process involving the political, economic and social spheres. Thus, many African countries could be regarded as more in transition than in decline.

137. Second, the economies of African countries were particularly affected by the economic situation in the developed countries, and it was necessary, therefore, for African countries to put in place strategies to participate effectively in international trade. This would involve improving competitiveness, improving product quality and diversifying production, adopting realistic exchange rates and diversifying export markets. They should also promote regional economic integration through enhanced South-South cooperation, thereby increasing stability.

138. Concerning debt, he accepted that debt constituted an important obstacle to the development of African countries, but its relative weight had diminished because of the various measures and initiatives taken on the issue over the past few years, especially in the Paris Club. Many of these initiatives involved bilateral debt, and the multilateral debt situation was still under review. However, resource flows to Africa were more important than the debt issue.

139. With regard to the progress report and evaluation of UNCTAD's contribution to the New Agenda, UNCTAD had an important role to play. The European Union noted with interest the secretariat's proposal to undertake country case studies in order to bring out better the diversity of the African countries. Also, the idea of studying success stories and examining the possibility of replication in other countries was supported by the European Union. The Board needed to reflect on how these proposals could be implemented.

140. The European Union understood the difficulties the secretariat had in evaluating the impact of its technical cooperation activities in Africa. However, it wished to see an analysis of the impact of these activities in Africa, and it was also eager to learn from the African countries in what way UNCTAD technical cooperation programmes had benefited them.

141. The European Union noted the precipitous fall of the resources for technical cooperation available to UNCTAD for African programmes, particularly the diminution of funding from UNDP from $6 million to about $200,000 in five years. This was paradoxical, as Africa was the neediest continent. The European Union also noted the weakness of private flows to Africa, where foreign direct investment accounted for only 1 per cent of total world flows.

142. He concluded by expressing the hope that, as UNCTAD IX was to be held in Africa, the Conference would be used as an occasion to create conditions favourable to growth and the attraction of investment resources to Africa, as well as to draw the world's attention to Africa's potential.

143. The representative of China said that the world economy was undergoing a process of regional integration and globalization, and economic considerations were becoming the dominant factor in international relations. African countries, especially in sub-Saharan Africa, were experiencing a worsening

economic situation, environmental degradation and extreme poverty. Africa was thus currently threatened by marginalization - a situation which caused concern in the international community.

144. In addition to historical causes, the factors that were responsible for this state of affairs included the single-product economic structure of some countries at a time when international commodity prices were characterized by decline and instability. In addition, some countries had been experiencing political disturbances or civil strife, as well as natural disasters. The external negative conditions also included inadequate inflows of resources and the debt burden.

145. African countries could not defeat poverty, protect the environment and realize sustainable development all on their own, and they needed financial and technical assistance from the international community. A poor Africa would not allow a prosperous world. Finally, UNCTAD should pursue its technical assistance activities in Africa, and report TD/B/41(2)/9 should be transmitted to the Economic and Social Council.

146. The representative of **Zambia** observed that sub-Saharan Africa's population growth rate was about 3.5 per cent, and the seriousness of population factors and their influence on other issues could not be ignored. African countries accepted the need to control the rate of population growth but required external assistance to do so and to ensure economic recovery. He agreed with the UNCTAD secretariat that control of population growth would also entail efforts directed at poverty reduction. Rapid growth of population was having a negative impact on the agricultural sector, health, education, employment and economic growth in general. There was a need to address the interrelated issues of population and environment to ensure economic growth.

147. Africa's ability to address these questions was limited by the generally unfavourable economic environment. The debt burden issue needed to be addressed, since it was now having an adverse effect on social expenditures in such fields as health and education. He commended UNCTAD for providing technical assistance on debt monitoring.

148. With regard to the Uruguay Round, African countries needed assistance to enable them to take full advantage of new opportunities, including those in emerging markets. He concluded by pointing out that developed countries should not erect new trade barriers for African and other developing countries.

149. The representative of **India**, referring to the interlinkages between the issues of development, environment and population, noted that Africa's principal environmental preoccupations included provision of safe drinking water and sanitation facilities, prevention of soil degradation and conservation of water and forest resources. All these problems were related to poverty.

150. He agreed with the UNCTAD secretariat that the most effective means of ensuring environmental protection and sustainable development would involve employment generation and capital formation, even in areas not directly connected with the environment. He also agreed with the secretariat's views

on population, and he called for support for the African countries in their efforts to improve reproductive health, reduce infant mortality and malnutrition and above all ensure equal access to health and educational facilities for girls.

151. It was important to realize that sustainable agriculture in the context of broad rural development was not only a short-term priority but also a long-term prerequisite for environmental protection. Concerning the question of appropriate technology, there was a need for situation-specific and cost-effective technology, especially for agriculture. Here too, UNCTAD could play a constructive role. He called for the international community to provide assistance to Africa in human resources development and in building up the necessary institutional capacities, keeping in mind local needs and perspectives. In the short run, training of experts in institutions outside Africa should be actively encouraged.

152. Concerning follow-up actions, he pointed out that, in addition to efforts by African Governments, effective action by the international community in the areas of debt, technology, resource flows and improved market access were imperative. He concluded by reiterating his country's historical interest in and commitment to the development and progress of the African countries.

153. The representative of **Ethiopia** noted that various studies conducted at the regional and international levels on the economic performance of Africa showed that per capita income in Africa had declined since the 1970s. Current GNP growth rates, although slightly improved over previous years, at 2.5 per cent (1986-1990) were still below the region's population growth rate of 3 per cent.

154. The poor economic performance of African countries was due to the collapse of prices for Africa's traditional commodity exports, unfavourable terms of trade, the debt burden, lack of institutional capacity, high population growth rates, and inadequate technology. These negative factors were further compounded by civil strife, ethnic conflict and intermittent natural disasters.

155. This poor economic performance of the African countries had inevitably reflected on the social sectors and forced more than half of the population to live below the poverty line, with steadily rising unemployment and underemployment reaching unacceptably high proportions. Malnutrition, hunger and disease were widespread, and environmental degradation, soil erosion, desertification, deforestation, etc., had aggravated the level of destitution and the extent of poverty.

156. His country felt that UNCTAD was in the forefront of efforts to turn around the African situation, and in this regard he expressed the hope that the future role of UNCTAD would remain substantial and intact.

157. With regard to the performance of his own country, Ethiopia was classified as one of the poorest countries in the world. Population growth exceeded GDP growth, resulting in declining per capita incomes. The reasons for the poor performance of the Ethiopian economy included the inappropriate

economic policies of the previous regimes, the protracted civil war, drought and natural calamities, external shocks and the structural weaknesses of the Ethiopian economy.

158. His Government was implementing economic reforms alongside democratic and political changes. Economic liberalization measures and privatization had been introduced with a view to stimulating sectoral productivity, enhancing exports and encouraging both foreign and domestic investments. The high levels of military expenditure had been greatly reduced, transferring resources to the rehabilitation of the war-ravaged economy. Substantial economic recovery had been registered in 1992/93, when GDP had grown by 7.9 per cent, as against the 6 per cent target set by the Government. However, it must be acknowledged that the country's population was growing too fast for its productive capacity.

159. For Africa's economic recovery and development efforts to bear fruit, more transparent, pragmatic and innovative approaches were needed to address the traditional problems of the region, which included the risk of marginalization and loss of preferential margins in the post-Uruguay Round era. In this regard, he called for broad-based development assistance from the international community to assist in the implementation of the various economic policy reforms adopted by African countries.

160. The representative of **South Africa** said that the scope of UNCTAD's activities having a bearing on Africa was impressive and could assist the countries concerned to improve their performance in respect of trade and trade-related matters. It would be useful for UNCTAD to take into account the differences in the levels of development between African countries and to ensure that its work addressed the main issues in all African countries. UNCTAD should be encouraged to pursue the proposed studies of the development experience in selected African economies, and these studies should take into account both the internal and the external origins of the problems experienced by African countries.

161. He endorsed the African Group's statement and pointed out that his country was of the opinion that the issues of sustainable development had always to be addressed within the framework of meeting the basic needs of the peoples of developing countries.

162. His country was also a developing country and thus had little scope for conventional development assistance. Highest priority was being given to the country's own Reconstruction and Development Programme. However, his country believed that mutually beneficial commercial relations between countries contributed greatly to the development efforts of developing countries, and this was confirmed by the experience of the Southern African Customs Union and the Common Monetary Area.

163. South Africa was of course prepared to meet its responsibilities towards its neighbours and fellow African countries. More specifically, it was cooperating closely with the Southern African Development Community (SADC) in such diverse fields as transportation, power, water, telecommunications, human and animal health, technological research, etc., and was negotiating a number of bilateral and multilateral trade arrangements.

164. He concluded by calling for adequate resources to be provided for the programmes adopted by member States in UNCTAD meetings to ensure the success of these programmes. He accordingly called upon the donor community to ensure that the New Agenda for Africa received the financial support it deserved.

165. The representative of **Japan** recalled the Tokyo International Conference on African Development of October 1993 and its objectives of underscoring the need to continue and increase assistance to Africa, issues of democratization and good governance, and the enhancement of opportunities for South-South cooperation. As a follow-up to this, with a view to promoting South-South cooperation in the field of human resources development, the Asia Forum had been held in Bandung, Indonesia, in December 1994. It had been co-organized by Japan, Indonesia, the United Nations, UNDP and the Global Coalition on Africa.

166. Regarding the financing of development, although the primary responsibility for economic recovery and sustainable development lay with the African countries themselves, the need to increase financial flows to Africa substantially was evident, primarily because the structural adjustment and stabilization efforts embarked upon by the African countries could only be effective in the medium to longer term.

167. Concerning the question of the Asian experience's relevance for Africa, he said that concrete modalities of cooperation should be initiated on a private-sector basis, i.e. between African and Asian Chambers of Commerce. Studies of the Asian success stories had concluded that the successes achieved had been underpinned by appropriate government intervention, with proper attention having to be paid to microeconomics.

168. Regarding the issue of poverty and sustainable development in Africa, the alleviation of poverty required a socio-economic environment in which the poor could engage in a wide range of productive activities on a continuous basis. This socio-economic environment needed to be based firstly on a policy of revitalization of economic activities and the equitable distribution of income. Equitable income distribution could create additional demands for day-to-day consumer goods, and this would stimulate the activities of the informal sector, where normally a large number of the poor were either under-employed or unemployed and were engaged in consumer goods production. Such an approach would create income-generating opportunities, particularly for the poor. In addition, land reform would provide incentives to new land owners for resource management and contribute to the conservation of environment.

169. Finally, if UNCTAD wished to contribute intellectually to the development of Africa, it should focus more on the micro-level market-failure issues in East Asian countries and also on the question of equitable income distribution.

170. The representative of **Switzerland** said that, for some time now Africa had been going through difficult times, especially sub-Saharan African countries. Those living below the poverty line had suffered greatly and the number of people who needed external assistance to live had increased. The high population growth rate constituted a serious problem in Africa, and to solve

this problem it would be necessary to attack poverty and improve the standard of living of the general population, inter alia through better income distribution and improvement of the status of women.

171. Concerning the principal objective of sustainable development, it was necessary to enhance resource flows to the poor and in particular to assist poor farmers through agrarian reform, access to credit, improved agricultural extension, greater transparency in government and popular participation.

172. Agricultural strategies in Africa must be rethought, since agricultural development was the basis for development in general and for food self-sufficiency. The rethinking called for was not just about inputs and extension services but also about the relationship between population and development, in accordance with the June 1994 Tunis declaration. It was also important to remember that agricultural development could not take place if there was no stability or security. Wars and conflicts had possibly represented the main obstacle to progress and development in Africa during the last decade.

173. Agriculture remained the main sector for most African countries, and it would develop only if private farmers were provided with an appropriate enabling environment. African farmers must also be encouraged to organize themselves into farmers' associations.

174. Measures must be put in place to enhance mobilization of domestic resources. For this to succeed, the financial sector and the functioning of the financial system must be reformed, particularly in rural areas. There existed a financial surplus which commercial financial institutions, when functioning well, could channel into productive use by African farmers and other private operators.

175. Concerning structural adjustment programmes, external equilibrium had been restored, but the level of development, particularly in the human indices sphere and the private sector, had recorded no progress.

176. Regarding debt service payments, he accepted that debt represented an important obstacle to development, particularly for sub-Saharan Africa. His delegation appreciated UNCTAD's work in assisting African countries to improve their debt-negotiating capacity and the installation of DMFAS. However, UNCTAD was not the only organization dealing with debt and it must cooperate with the other institutions involved.

177. He concluded by commending the secretariat for giving examples of sectoral successes in specific African countries but warned against drawing hasty conclusions on replicability in other countries. A mid-term review of Round Tables might provide a more useful base for comparison.

Action by the Board

178. The action taken by the Board on agenda item 5 is reported in TD/B/41(2)/15(Vol. I), section I.B. (see agreed conclusions 424 (XLI)).

Chapter V

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 6)

Report of the Joint Advisory Group of the International Trade Centre UNCTAD/GATT on its twenty-seventh session

179. The **Chairman of the Joint Advisory Group**, Mr. Haron Siraj (Malaysia) introduced the report of the Joint Advisory Group on its twenty-seventh session (ITC/AG(XXVII)/145 and Add.1), which was before the Board under cover of a note by the UNCTAD secretariat (TD/B/41(2)/12). He recalled that the twenty-seventh session of the Joint Advisory Group had been an important landmark in the history of ITC since it coincided with the thirtieth anniversary of the Centre. It was the first session to be held following the appointment of the new Executive Director and it had taken place on the eve of the establishment of the World Trade Organization. The Group had examined the following matters: (i) the new Executive Director's strategy paper entitled "ITC at the crossroads: an agenda for the future"; (ii) a review of ITC's technical cooperation activities in 1993, based on its annual report; (iii) the report of the ITC Technical Meeting in 1992 on the proposal for setting up a global trust fund and a consultative committee on a proposal for an ITC programme on the integration of women in trade development. In addition, a special session of the Group had been devoted to the commemoration of ITC's thirtieth anniversary.

180. The Executive Director had informed the Group of the action taken since his appointment on 13 June 1994 in relation to the preparation of the paper "ITC at the crossroads: an agenda for the future", and in particular of the initial results of the priority setting exercise which had been undertaken in ITC. ITC's priorities would be determined according to the collective needs of recipient countries and ITC's comparative advantage in fulfilling these needs. The Joint Advisory Group had welcomed the general thrust of the agenda paper towards clear priority setting and cost-effective use of resources in order to maximize the impact of ITC's technical cooperation programme. The Group had acknowledged that ITC had an important role to play in the area of trade and environment in collaboration with UNCTAD and GATT and had requested the secretariat to submit a strategy paper on the subject to the twenty-eighth session of the Group. The Group had supported the Executive Director's action plan and asked him to proceed with the implementation of the plan without delay. The Group had urged donors to contribute generously to help ITC with the implementation of the programme and had requested a full report on progress for the next session of the JAG in 1995. The Group considered that ITC was uniquely endowed to provide unbiased and practical support for Governments' trade expansion efforts following the successful conclusion of the Uruguay Round.

181. The Group had taken note of the annual report on ITC's activities in 1993, and particularly that ITC had done its utmost to maintain an effective level of support to recipient countries in trying circumstances. The Group had also considered the proposal for setting up a Global Trust Fund and a consultative committee; however, it had not been in a position to

endorse the proposal as it stood, and it had been agreed to hold informal consultations on the subject with a view to reaching a decision at the twenty-eighth session of the JAG. The Group fully supported the proposal for the integration of women in development, including a proposal for an ITC programme for 1992-1997, and expressed its appreciation for the work ITC had undertaken on the subject. The Group noted that this question would be considered along with other global issues being studied in ITC's priority setting exercise.

182. A special commemorative session of ITC's thirtieth anniversary had been held in the presence of the Executive Heads of UNCTAD and GATT/WTO and expressions of strong support for ITC's future activities had been extended to the Executive Director and the staff. Confirmed or possible voluntary contributions to ITC's technical cooperation programme had been announced by the following countries: China, Denmark, Finland, France, Germany, Greece, India, Ireland, Italy, Japan, Netherlands, Norway, Poland, Sweden and Switzerland.

Action by the Board

183. At its 856th meeting, on 21 March 1995, the Board took note of the report of the Joint Advisory Group of the International Trade Centre UNCTAD/GATT on its twenty-seventh session (ITC/AG(XXVII)/145 and Add.1).

Chapter VI

PREPARATIONS FOR THE NINTH SESSION OF THE CONFERENCE

(Agenda item 7)

184. The **President** recalled that the Board, at its seventh (pre-sessional) executive session on 15 September 1994, had mandated the Officer-in-charge of UNCTAD to initiate informal, open-ended consultations on the provisional agenda for the Conference and related matters. He drew attention to document TD/B/41(2)/CRP.1 containing a note by the UNCTAD secretariat on the draft provisional agenda for UNCTAD IX.

185. Introducing the note by the UNCTAD secretariat (TD/B/41(2)/CRP.1), the **Officer-in-charge of UNCTAD** said that the document reflected the outcome of the five open-ended informal consultations held in February-March 1995. While the text took into account the concerns of all participating delegations, it represented a compromise which could not give complete satisfaction to all parties. He expressed his appreciation for the efforts delegations had made to reach this compromise. There was still a need for some further work on the draft, in particular with regard to the text in square brackets in the annotations to topic 1 (b).

186. The representative of **Bulgaria** said that his Government regarded UNCTAD IX as an opportunity to adjust the work of the organization to the basic changes in the international trade environment where the principles of liberalization and globalization would play the major role. UNCTAD's ability to meet the challenges of the post-Uruguay era in international trade would depend to a great extent on the success of UNCTAD IX in highlighting the development dimension of the globalized and liberalized international trade. UNCTAD IX would be a success only if it gave both nations and the international community concrete answers on how to use the liberalization and globalization of trade to strengthen their development capacity and to preserve national integrity in an interdependent global framework. In its effort to analyse and make operational the development dimension of liberalized trade, UNCTAD IX would act in a United Nations-oriented manner, i.e. complementary to the General Assembly's Agenda for Development. That would set the trade-for-development thinking and practice in a more fertile United Nations perspective and would help to avoid a somewhat unilateral profit-oriented approach. On the basis of the theoretical and practical legacy of UNCTAD VIII, UNCTAD IX was expected to strengthen the development dimension of international trade through a variety of means. This could be achieved, inter alia, by focusing the attention of the international trade community on some other basic areas of human activities. Ecological and labour standards, which were now under discussion in international forums, could be logically and rightly complemented by science and culture. It was beyond any doubt that the interdependence between trade and science could stimulate the development dimension of both of these two areas. UNCTAD IX could be a timely opportunity to focus international attention on these problems in close cooperation with relevant United Nations specialized agencies. The approach, if considered acceptable, would mean a whole range of commitments for UNCTAD in order to explore the subjects and derive practical

conclusions. Such an effort would serve to demonstrate that UNCTAD did not just allow trends and developments in international trade, but persistently tried to direct the development potential of trade to new areas.

187. The Bulgarian delegation expressed its support for the fruitful work done so far on the preparation for UNCTAD IX. The major items which were of interest to the different groups of countries were well reflected in an open framework of subjects. Nevertheless there were still some unresolved issues, which resulted from recent global changes. Some of them concerned the countries in transition and had a negative impact on the national economies: they were based mainly on the interrelationship between social, political and economic trends. There was another group of problems based on the relationship between the general rights and obligations of countries as members of the world community to maintain international peace and security and the economic consequences thereof. The international sanctions imposed by the United Nations Security Council had an adverse effect on third countries, in particular neighbouring States. As a result of United Nations sanctions, countries like Bulgaria were suffering substantial trade losses and distortions with traditional trading partners. Therefore his country wished to see the problem of the trade effect of international sanctions discussed at UNCTAD IX in order to find ways and means of mitigating that effect.

188. Finally, he said that, in Bulgaria's experience, the problems of transition exceeded by far the country's national resources. Therefore, his delegation attached great importance to UNCTAD's involvement in the international effort to assist the transition countries in their move to a market-economy system.

189. The representative of the **Islamic Republic of Iran** observed that this was the first meeting of the Board following the birth of the World Trade Organization. He recalled that 30 years ago, in establishing the United Nations Conference on Trade and Development, a principal function envisaged for the Conference had been to promote international trade between countries at different stages of development and, in that light, to develop a comprehensive trade organization. Today a valid question surfaced as to whether the operationalization of WTO satisfied the aspirations that UNCTAD had in this regard. A second fundamental question arose in relation to UNCTAD's function and its role and usefulness in the WTO area. Both questions were relevant and valid and he believed that they should be dealt with first by UNCTAD itself instead of reacting to others' expressed positions.

190. The original perception when General Assembly resolution 1995 (XIX) had been adopted had been that UNCTAD would be the main organization for trade matters and that it would include all members of the United Nations. Moreover, the organization was to deal with trade as it related to and affected development, particularly of the developing countries. It was evident that WTO's limited objective of enhancement of trade, without specific orientations towards development and developing countries, as well as its lack of universal membership and its tiresome and elaborate membership qualification procedure did not coincide with the objectives set for UNCTAD. Although it was not desirable, feasible or realistic to pursue the establishment of another parallel organization for trade, the basic objectives should not be abandoned. UNCTAD must, therefore, search for effective ways to

evaluate systematically the work of WTO, especially at its initial stages, in order to ensure universality of membership with minimal prerequisites and to direct this new-born organization towards the needs and requirements of developing countries.

191. Regarding the second question, the recent report of the Commission on Global Governance, with its death sentence on UNCTAD, ECOSOC and some other United Nations organs and agencies, had alarmed and enraged the international community. The reaction of outrage had been swift and strong: UNCTAD was very much alive and its continued existence was essential and unquestionable. Although there had been some backtracking on the position of the Commission, the dust was far from having settled. It was now apparent that this question might overshadow the preparations for UNCTAD IX. He believed that the Board should not fear, but rather welcome, a thorough and open-minded analysis of this question. A critical self-examination was both necessary and urgent to counter extremist or eliminationist arguments. The crisis provided an excellent opportunity to see where UNCTAD stood in relation to its original committed objectives and how best it could be enabled to discharge its mandate.

192. Aside from its commitments towards a comprehensive world trade organization, UNCTAD had been entrusted with formulating principles and policies on economic development, with making proposals for putting these principles and policies into effect, and with coordinating activities in trade and development. It had also, as the term "Conference" connoted, been empowered to serve as a forum for negotiation and adoption of multilateral legal instruments in these fields. These areas of activities were expected of UNCTAD under its original General Assembly mandate. For reasons that were clear to everyone, however, the Conference had been persistently marginalized. Today, even its most ardent supporters had been compelled to describe UNCTAD as a "think tank" for trade and development issues or as the "economic conscience" of the world. This implied that UNCTAD's role was confined to the elaboration of analytical studies and debates and, at best, to providing some moral incentives and guidelines for policy makers.

193. In the view of his delegation, if the States members of UNCTAD really submitted themselves to such a restrictive scope for UNCTAD, they would share the responsibility for striking a decisive blow to its existence. By definition, and by the letter and spirit of its mandate, UNCTAD was a body for negotiations, policy-making, coordination and implementation. Important as analytic studies, reviews and evaluations were, the need for a negotiating forum for development was even more pressing today than at the time of UNCTAD's inception.

194. The World Bank, IMF and WTO had now constituted a trio for dealing with major economic components of finance, monetary policies and tariffs and trade. What was missing, conspicuously, was the linkage point among these three. Today, this vacuum was superficially filled with a self-appointed superstructure called the Group of Seven. Originally convened to deal with the immediate crisis arising from the oil shock of the early 1970s, it had gradually attempted to pose as the supreme body of decision-making and policy coordination for global development at the macroeconomic level through examination of financial, monetary and trade directions. Buoyed by some early

successes, the Group of Seven had expanded its role to cover political issues in the 1980s in addition to setting international economic and development trends, in a sense not only acting increasingly as an economic security council but also attempting even to outdo the United Nations Security Council. The Group of Seven was now deeply plunged into conflicting policies within its membership. Hence, it could hardly deal with its own problems, much less formulate guidelines for the world economy and development or redress economic and political crises. But nature abhors a vacuum. The pressing need for an international forum to link the three international institutions and coordinate their activities, as well as to gear them towards development, could only intensify. Only a truly universal, democratic and transparent world body had the right to assume this urgent role.

195. The Social Summit at Copenhagen had introduced the term "empowerment" into the affairs of the international community. All individuals were thus to be "empowered" to participate fully in decisions affecting their development. This right, however, was by no means confined to individuals. All nations should enjoy the same right. Empowerment, at the international level, implied the involvement and participation of all members of the United Nations, on an equal footing, in decision-making and policy coordination activities that had a bearing on their social and economic development. Could UNCTAD be empowered to fill the vacuum to which he had referred? It was hard to envisage that UNCTAD would transform itself to an economic security council: such an ambitious role had not been contemplated 30 years ago. The principles, objectives and functions prescribed and established at that time were, however, sufficient to satisfy what was required today for trade and for development. UNCTAD did indeed have the potential, the capacity and the legal and institutional base to evolve as the development link for the World Bank/IMF/WTO trio.

196. The Social Summit had also reaffirmed the inseparability and indivisibility of economic and social development. A number of commitments and actions at the international level adopted by the Summit were therefore related to economic development. A progress review was anticipated for the year 2000. UNCTAD, in the meantime, was faced with a new challenge of elaborating on these commitments and actions and of pursuing their implementation.

197. In short, therefore, UNCTAD's future role should include:

(a) Systematic and persistent scrutiny of WTO to ensure its universality and development orientation;

(b) Linking the World Bank, IMF and WTO under the umbrella of development;

(c) Elaboration and monitoring of implementation of commitments and actions adopted at the Social Summit.

Any expectation that fell below this level would be tantamount to UNCTAD's gradual demise. The above prescriptions needed to be filled, therefore, to ensure UNCTAD's resurrection. This list was not, of course, restrictive or exhaustive. Nor was it meant to replace UNCTAD's current activities and

functions. It merely reflected some of the areas where UNCTAD was obligated to conform with its unanimously endorsed original mandate. It was in this light that his delegation proposed that the theme of UNCTAD IX be adjusted to read as follows:

> "Empowering UNCTAD to promote growth and sustainable development in a globalizing and liberalizing world economy."

The topics should then be adjusted to incorporate the prescriptions listed in (a), (b) and (c) above. Prescription (a) would be incorporated in item 2 and prescription (b) in item 4, while (c) would need to be introduced as a new topic.

198. The representative of **Norway** said that the changes which had occurred in the international trading system over the past 30 years had deeply affected the paradigms for the governance of the world economy. The role of the public sector in managing economic issues - both at national and the international levels - was now viewed through a different political prism than 30 years ago. UNCTAD IX would in many ways be decisive for the future of the institution. Critical questions were now being raised as to the role and future of UNCTAD. The Commission on Global Governance had proposed comprehensive reforms of the economic and social sector of the United Nations, including the establishment of an economic security council and the abolishment of ECOSOC, UNIDO and UNCTAD. In his country, an independent high-level commission on North/South questions had expressed similar doubts about the future of UNCTAD. Such views must be taken seriously when they came from groups which were inherently positive to development cooperation and to better North/South relations.

199. In the view of his delegation, the role of UNCTAD in the coming three to four years should be determined by the following perspectives:

- The continuing changes in the world economy, particularly as concerned the interface between the public and the private sectors;

- The reform of global economic institutions, including the establishment of the WTO. If, during the coming three to four years, consensus was reached on a general reform of global economic institutions, UNCTAD must be a part of that process;

- The future role and direction of the United Nations system in global economic and social matters, including in particular development matters;

- UNCTAD's own programmes and priorities.

He believed UNCTAD possessed several comparative assets which should be built on in the process leading up to UNCTAD IX, and he agreed with the European Union on the following points:

- In supplement to the WTO, UNCTAD was an almost universal body with an added development perspective, which could not overnight be induced to join in the contractual negotiations of the new world organization.

- UNCTAD, as a forum for dialogue, and possessing in-house experience in cooperating with transnational corporations, was well placed to engage the private sector in discussions on issues of common interest. This again would be much more difficult in the contractual negotiations of the WTO.

- The UNCTAD secretariat had developed an analytical capability and considerable expertise in technical cooperation.

200. But it did not help very much to preach to the converted about the merits of UNCTAD: to succeed, one must convince the sceptics, those responsible for economic reforms, and the Ministries of Finance that UNCTAD continued to have a useful role to play in the management of the world economic issues. In focusing on globalization and liberalization as the two basic themes for UNCTAD IX, member States had established the right framework for the preparatory process ahead.

201. Liberalization was important because it had become obvious that the public sector alone was not able to deal with the financing and management of the economic issues. Demands for more official development aid might be understandable, but aid alone could neither replace good national policies nor reach a sufficient volume to fund basic development processes. The hard fact was that most of the wealth and money available for investments were now accumulated in the private sector. Many of the challenges must therefore be met by a new cooperation between the public and the private sectors. Liberalization itself was no panacea. The market, left to its own devices, did little to promote equity and social justice. There was a need for more understanding on how liberalization could be facilitated while safeguarding important social objectives. At the global level, it was necessary to develop an international public sector to deal more effectively with emerging and common global challenges. UNCTAD was as well placed as any international institution to improve the conceptual and political understanding of how this interaction between the private and the embryonic international public sector could be achieved at the global level.

202. He believed that UNCTAD should be more open and innovative in the format of its work. It must remain an intergovernmental body, but intergovernmental bodies without direct links to the dynamism of the private sector ran the risk of becoming empty shells or conference chambers, unable to attract much political interest outside the participants themselves. In its investigation of UNCTAD's own mechanisms and working methods before UNCTAD IX, his Government believed that attention should be concentrated on establishing a clearer focus for the work and on setting priorities for what the international community wanted to achieve at UNCTAD IX. To achieve a better process of priority setting, member States should take a new look at the governance of UNCTAD, i.e. how the Trade and Development Board now operated. He was not convinced that the present system of two annual sessions, each with a duration of two weeks, was optimal. Today, the level of representation from capitals at the Board sessions was not impressive. The Board should consider whether one annual session of a shorter duration and with a more focused agenda would be more attractive. Such an annual session should consider overall economic and trade issues from a development perspective. It could base its discussions on the Trade and Development Report and the World

Investment Report. Other questions which would require consideration at the Board level could be addressed by the Board in executive session. Experience had shown that it would also be desirable to reduce the number of standing committees and ad hoc working groups. In general, UNCTAD must continue to pay particular attention to the situation of the LDCs and sub-Saharan Africa. A cautious use of high-level meetings on specific issues - like the meetings on trade and environment arranged jointly with UNEP - could be a useful instrument in this respect. Participation in such meetings should be more open to key non-governmental actors. Furthermore, UNCTAD's technical cooperation must be linked to its analytical and normative work. With the establishment of the WTO, there was also a new basis for dialogue regarding technical cooperation, complementarity and division of labour. This would be especially important with regard to the ITC - the common responsibility of UNCTAD and WTO.

203. The representative of the **Democratic People's Republic of Korea** said that the current situation of the world economy was not proving to be favourable to the successful establishment of new international economic and trade relations. Despite the great efforts being made by developing countries to meet the new challenges, their marginalization in trade and development was increasing and they were being driven into poverty and debt. Commodity prices - the principal export items for developing countries - were falling; foreign trade was hampered by protectionism in various guises. As a result, developing countries were suffering great loss in foreign trade and their debts were growing unbearable. This aggravated poverty in developing countries, where more than 1 billion people were still living below the poverty line.

204. All the facts went to prove that the old international economic order - the legacy of a past era - still existed. The international community should direct every effort to destroying the old unfair international economic order, which was a stumbling block in the way of sustainable development. Developing countries, the victims of this old order, should take the lead in creating a new order. The South-South cooperation principle of collective self-reliance offered one of the most effective ways of enabling developing countries to rid themselves of economic subjugation and dependence and to ensure sustainable economic growth. This should be done in accordance with the principle of equality and reciprocity and on the basis of past successes and experience. Attention should be paid to identifying new fields for such cooperation. He also considered that the resolutions adopted by the non-aligned movement representing developing countries should be organically coordinated in UNCTAD. Moreover, since such long-standing serious socio-economic problems as poverty and debt could not be settled overnight, developed countries should implement their commitments towards developing countries. This would be in their own interest in the long term.

205. Since its foundation, UNCTAD had been the sole entity in the United Nations system dealing with trade and development problems in a comprehensive manner over the last 30 years. However, his delegation noted with regret that, prompted by a misreading of the current international trade and development system, attempts had been made to undermine or even abolish UNCTAD. His delegation was opposed to such attempts and expressed its full support for the statement made by the spokeswoman for the Group of 77, which

exactly reflected his Government's stand on UNCTAD. UNCTAD should continue its activities to promote the trade and development of developing countries and should give priority to policy issues as opposed to technical ones, so as to discharge its mission properly. UNCTAD must make thorough preparation for UNCTAD IX to meet the new economic challenges by giving priority to finding effective ways to remove economic instability and to reduce the marginalization of the developing countries vis-à-vis the developed countries.

206. The representative of the **United States of America** said his delegation shared the sentiments of other delegations regarding the importance of UNCTAD IX to the future of UNCTAD. He welcomed the statements of the secretariat regarding the need for the Conference to adopt an innovative format; to reach outside the intergovernmental realm to the business world, NGOs, local government and academia; and to attract the interest of government Ministers, both by the substance and style of the Conference. A prerequisite for a successful Conference would be solid intergovernmental preparation. His Government would offer its specific thoughts on the agenda during the continuing consultations with the Officer-in-charge of UNCTAD. He wished to make a general comment, however, on the connection between the agenda, the preparation for UNCTAD IX, and a successful Conference. He understood how, in the course of building an agenda, Board members had been quite liberal and accommodating in accepting one another's suggestions and lists of topics from the secretariat. While its summary page was laudably spare, the expanded agenda topics gave governments more than enough room to do whatever they finally decided they wanted to do at UNCTAD IX. This was not an unhappy state of affairs at this stage. However, in the months ahead, States members of UNCTAD and the secretariat would have to discipline themselves when they prepared the substance of the Conference. They would have to concentrate on a few issues for in-depth investigation; these issues ought to be relevant to the central linkages between trade and development, should be within UNCTAD's core mandate and acknowledged areas of excellence, and, when treated at UNCTAD IX, should be reasonably assured of advancing member States' understanding and obtaining significant areas of consensus.

207. His delegation was inclined to think that UNCTAD's mandate, global reach, and secretariat strong points would argue for a focus on practical problems of the trade-development nexus which were the concerns of national governments and relevant to national policies, yet which were global in scope. It was less interested in devoting Conference time to regional issues - the United Nations and other forums covered regional questions - or to purely theoretical analyses that might be of global consequence but did not help illuminate the actions, options or dilemmas of governments going about the shared task of promoting sustainable development in the world.

208. Finally, his Government seconded the views of the European Union with regard to the central importance of seriously considering institutional issues. This included a review of programmes and subprogrammes and priorities, as well as assessing the record of post-Cartagena reforms and looking at ways to improve and deepen them. The Conference must take an honest look at the purpose and function of this body in the international economic environment of today and the twenty-first century. If UNCTAD IX were merely to grope for relevance, in an exercise of self-justification, it would

fail. If the Conference played to UNCTAD's post-Cartagena strengths, advanced the cause of development through trade via a practical agenda, and seriously considered UNCTAD's future institutional role and function, it would succeed.

209. The representative of **Switzerland** said that the international community was going through a period of extremely rapid changes which were a source of problems and challenges, but also of great opportunities for improving the living conditions in developing countries. UNCTAD needed to face these challenges and assess the new opportunities to allow developing countries and economies in transition to take advantage of the results of the Uruguay Round. This was, in his authorities' analysis, one of the main functions of UNCTAD. The Conference would provide a unique opportunity for UNCTAD to take a fresh look at the international trade agenda in the new post Uruguay Round context, to redefine its priorities in the light of the new situation and to re-adapt its structures accordingly. The conclusion of the Uruguay Round and the creation of the WTO in between UNCTAD VIII and UNCTAD IX necessitated a reflection on the role of UNCTAD in relationship to its new sister organization. This did not imply a reflection on the mandate, which remained as valid as ever. A division of labour between UNCTAD and WTO should be based on the complementarity of tasks of the two organizations: while the WTO was vested with contractual powers of decision and rule-making, UNCTAD could be seen as the global forum for all countries to participate in policy debate and consensus, building on development and trade and other interrelated issues. It was the firm conviction of his authorities that the emergence of the new and powerful WTO would not diminish the importance of UNCTAD, but would, on the contrary, give it increased significance. Some of the issues to be dealt with in the WTO needed to be explored and analysed before the member States were ready to engage in far-reaching and binding negotiations. The WTO, however, had not been set up to fulfil the function of a forum for policy analysis. The international community needed a global marketplace for an open dialogue and exchange of views, and UNCTAD responded to this need. UNCTAD was to play an important role in taking up the so-called "new and emerging issues" on the international trade agenda. UNCTAD had already done so with "trade and environment" - but there were more such issues. He therefore thought it was very important that UNCTAD IX should set a framework for dealing with these "new and emerging issues".

210. Finally, he said that a further priority of his authorities was the cooperation with the private sector. The structures of international economic cooperation had been set up some 50 years ago. The world had changed since - but the structures remained. It was of paramount importance to adapt these structures to the new circumstances and to bring in the main economic actor in today's world, namely the private sector. UNCTAD had begun this process in Cartagena and the United Nations International Symposium on Trade Efficiency had further advanced the integration of the private sector into its work. He was confident that UNCTAD IX would be able to further develop this cooperation.

211. The representative of **France**, speaking on behalf of the **European Union**, said that, as already noted in the European Union's general statement, UNCTAD IX could be set in the context of the Agenda for Development under discussion in the General Assembly and of the general reflection on the future of the multilateral system. The Conference should thus be an occasion for

UNCTAD to take a close look at its future role and to indicate clearly how it intended to carry out its development task in the areas of its competence. UNCTAD should state in particular how it would aim to inject the development dimension into world trade issues. In that perspective, UNCTAD should pay special attention to the needs of the most fragile economies, in particular in the LDCs and sub-Saharan Africa.

212. The European Union was pleased with the progress made in drawing up the draft provisional agenda for the Conference. No doubt the text could still be improved. The European Union emphasized particularly the need to include explicitly, under topic 4, "the future role of UNCTAD and its institutional consequences". In selecting "Promoting growth and sustainable development in a globalizing and liberalizing world economy" (cf. TD/B/41(2)/CRP.1, p. 2) as the framework for its activities, UNCTAD had seized upon an issue of great importance for all countries, but especially for the developing countries. It was good to see that the emphasis had been placed, as was only right, on the development perspective. UNCTAD would not, however, be able to discharge its duty in the service of development unless it grasped the opportunity offered by the Conference to focus its action and its resources on areas that were of major priority for the developing countries - areas in which UNCTAD enjoyed an undisputed advantage.

213. Finally, he said that the European Union would be most happy if the Conference were to be held in the African continent, whose turn it was to act as host.

214. The representative of **Canada** said that his country was convinced that the United Nations could not succeed as a force for peace without also acting as a force for development. There was a widespread and deeply felt need to adapt to new circumstances in the company of many new actors. Many reform processes were under way, both within and outside the United Nations system. The road to UNCTAD IX and the event itself must be seen as part of wider efforts to make the United Nations more relevant, credible and effective in the economic and social fields. To do that it was essential not only to look outward towards the vast array of economic problems and opportunities. It was also essential to look into the organization and reflect upon what the real strengths and capacities were and where, given finite and often decreasing resources, the greatest value-added could be achieved. There had been a number of successful areas of work since UNCTAD VIII. With the approach of UNCTAD IX, however, there were important issues to be considered. Could UNCTAD reasonably take on all that was asked of it and do a good job on all fronts? Mandates were emerging from various international forums in addition to the mandates set forth in the Cartagena Commitment. What were the priorities? What was the appropriate relationship between UNCTAD and other international institutions, including WTO? What should be the preferred policy for UNCTAD's technical cooperation in order to make it responsive to real needs and administratively less costly? Should the share of technical cooperation be increased in the overall work programme? How did UNCTAD research and analysis influence national policy-making? Should UNCTAD focus more on the LDCs? Were the management arrangements appropriate for an organization with technical cooperation programmes that required flexibility and decentralized control? Could the Board discharge its policy mandates without participating in their budgetary aspects?

215. In conclusion, he said that the world had changed a great deal since UNCTAD's infancy. The role of governments was not what had been envisaged, the private sector was dominant in creating wealth, the transnational corporation had become a vital source of capital, employment expertise and technology, and the importance of sound policies and good governance had come to be regarded as critical for development success. The WTO had been created. Adaptation to these new circumstances, already evident in the Cartagena Commitment, would need to continue as the world evolved. Freed from the ideological and procedural impediments of the past, UNCTAD, through a judicious selection of niches to which it could bring distinct comparative advantage, would remain a dynamic force for development.

Action by the Board

216. At its 855th meeting, on 20 March 1995, the Board, acting in response to a request made by the representative of Colombia during her statement on behalf of the Group of 77 and China, agreed that the Final Communiqué of the Eighteenth Meeting of the Chairmen/Coordinators of the Group of 77 Chapters and China, held in Geneva on 14 and 15 March 1995, would be circulated as an official document of the Board under agenda item 7 (the Final Communiqué was circulated in TD/B/41(2)/13).

Action by the Board

217. At its 857th meeting, on 22 March 1995, the Board mandated the Officer-in-charge of UNCTAD to continue his consultations on the draft provisional agenda for UNCTAD IX and to report back to the Board.

218. The action taken by the Board on agenda item 7 at its 858th (closing) meeting, on 31 March 1995, is reported in TD/B/41(2)/15(Vol. I), section I.A.

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